JEREMY VINE:
Now ever since the financial crash of 2008, the state of the economy has dominated British politics. It seemed that flat lining was the best it could do. But after six months of growth, ministers are beginning to sound cautiously optimistic that a corner has been turned. The Business Secretary Vince Cable is an economist by profession, so he should know what’s going on, and he’s here now. Good morning.

VINCE CABLE:
Good morning.

JEREMY VINE:
What kind of growth is this? Is this sustainable?

VINCE CABLE:
Well I think your phrase “cautious optimism” was right. We don’t yet know if it’s sustainable because it will need to go on for some years. And it’s got to be of the right kind. We can’t repeat the mistakes of the past, which led to the financial crisis. We’ve
got to make sure that the growth is in exports, it’s in business investment, and it’s targeted at the long-term, which is what we’re trying to do through our industrial strategy.

**JEREMY VINE:**
Because manufacturing is down 10 per cent on the boom level, GDP is down 3.3 per cent, so it’s almost as if we’re … Are we locked into a permanently lower setting here?

**VINCE CABLE:**
Well the financial crisis did enormous damage and we’re a poorer country as a result, and we’re having to rebuild it and it’s got to be rebuilt in the right way. Actually there are some good things happening in manufacturing, certainly around the car industry, the aerospace industry and some of those other sectors. But you know we’ve got to keep that going for a period of years and so we’ve got to concentrate on things like skill training, building up innovation, you know developing procurement within the UK. So it’s a long-term strategy. Jumping on a few quarters of figures doesn’t resolve that.

**JEREMY VINE:**
All kinds of things come up as a result of us getting into growth. For example, one of your ministers, Matthew Hancock, says firms have a duty to employ Brits. Do you agree with that?

**VINCE CABLE:**
Well the way he put it, I don’t have any question. I mean he’s not talking about compulsion or discrimination. He is saying that we should be trying to make sure that British people, and particularly young people, have got to be trained so that they can take jobs that are available; and you know they’re competing in a single market across Europe and it’s right that we encourage British people to be employed.

**JEREMY VINE:**
Yeah but the sense of duty on the employer. That’s what he was talking about.
VINCE CABLE:
Yes, well I would echo that in another way. I mean one of the things I’m trying to do through our industrial strategy is to encourage some of our big manufacturers to use British supply chains. I don’t use the word ‘duty’, but I certainly encourage them, and if I find that say the big producers in the North Sea are buying in all their platforms and so on from overseas, I challenge them. And I think what Matthew is saying is very similar to that.

JEREMY VINE:
But a lot of people prefer to recruit from abroad, possibly because they can pay them less. They might even pay them below the minimum wage.

VINCE CABLE:
Well that’s completely wrong and it’s illegal, and indeed there is a point at which the issues around low pay and illegal immigration intersect and in fact I’m now working with HMRC to have a much tougher crackdown on employers who do employ people within the minimum wage. It is a serious offence and we’re going to make it easier to bring prosecutions and make sure that illegal behaviour is stopped.

JEREMY VINE:
What about this van we’ve been talking about, which is going around six boroughs with the message ‘Go home or face arrest’ for people who are here illegally? Is that racist?

VINCE CABLE:
I wouldn’t use that word, but, as Trevor Philips said, I think it’s stupid - I mean the whole idea that illegal immigrants have got a sophisticated grasp of English read at a distance - and I think it is offensive. I mean it is designed, apparently, to sort of create a sense of fear in the British population that we have a vast problem of illegal immigration. We have a problem, but it’s not a vast one, and it’s got to be dealt with in a measured way dealing with the underlying causes. And that’s why I said we’ve got to crack down on employers who are abusing both low pay and immigration.
JEREMY VINE:
But there’s a committee report out today, select committee, saying that we can’t have much confidence in the immigration statistics anyway, so the problem could be worse than we think.

VINCE CABLE:
Well we’re not a totalitarian state; we don’t count every single person. But actually it’s quite difficult being an illegal immigrant in Britain - you can’t work, certainly legally; you can’t have access to benefits. So the idea that there’s some vast hidden army of people is almost certainly completely wrong. I mean the argument about those numbers, which was raised this morning by a select committee, it only really matters if you’re pursuing some target; and there’s this sort of net immigration figure, which the Conservatives are very preoccupied by. It’s not a government objective - make it absolutely clear - and this idea that you’re pursuing a net immigration figure is very misleading because, amongst other things, the largest number of people counted as immigrants are overseas students, who are not immigrants. They’re visitors, but under the United Nations classification, they’re regarded as immigrants, but they’re good for the country. So obsessing about this net immigration number is not helpful.

JEREMY VINE:
So as far as the van goes, just one more question on it. It is your government that’s done it.

VINCE CABLE:
Well …

JEREMY VINE:
Have you had a row about it or not?

VINCE CABLE:
I think that there has been a row by the people who are directly involved. I certainly wasn’t consulted and I know my other Lib-Dem colleagues haven’t been.
JEREMY VINE:
Right. But you wanted it …

VINCE CABLE:
(over) But it’s a pilot study. It’s a pilot study. It’s stopped. We’ll have a look at the results.

JEREMY VINE:
You don’t want it to go on?

VINCE CABLE:
Well it’s a pilot … It has stopped. I mean it is a short-term pilot study.

JEREMY VINE:
Do you want it continued?

VINCE CABLE:
I can’t see that I would be in favour of it, but let’s see what it produces.

JEREMY VINE:
You could just say no.

VINCE CABLE:
Well it was a problem. It was, as I say, stupid and offensive, and I think it’s very unlikely it will continue.

JEREMY VINE:
Alright. People are on very tight budgets still as we get into growth. Do you, like the Archbishop of Canterbury, want to put Wonga out of business?

VINCE CABLE:
Well I’m not singling that particular company, but I think the Archbishop of Canterbury was right in this sense - that he was saying that there are a lot of people out there who can’t get access to bank credit, operating through payday lenders on
very onerous terms. And it’s all very well to condemn that, but you’ve got to offer an alternative. The best alternative is credit unions and he’s promoting it through the church. We in government are promoting it … I think we’re giving them £38 million to provide a social responsible alternative and that’s the best way to proceed.

JEREMY VINE:
So you can work with the Archbishop of Canterbury on this?

VINCE CABLE:
Absolutely, yes, and he’s been … You know I think it’s very important the church doesn’t just set a moral example, but gives practical advice as to how to deal with it, and that’s what he’s doing.

JEREMY VINE:
You’ve been very critical of the Bank of England’s approach as the economy changes now and talking this week about the “capital Taliban” there, the people you think are getting banks to hold onto more capital than they need to and they’re not lending and all that. But help me understand this because you argued against debt levels during the boom …

VINCE CABLE:
(over) Yes, no I …

JEREMY VINE:
(over) … so you are worried about banks splurging too much.

VINCE CABLE:
It’s a complicated argument. We’ve got to have a sensible balance. We want banks to do what banks are supposed to do, which is to take people’s savings and channel them into productive investment through small medium size companies particularly, and they’re not doing that. There is a severe credit problem. Our exporters, our manufacturers are struggling to raise credit and that is what I was referring to. But equally …
JEREMY VINE:

(over) But we know why they’re not doing it. They’re not doing it because they’ve been told to shore up their balance sheet.

VINCE CABLE:

Well indeed. There is a tension, you know. They are indeed. We don’t want the banks toppling over again, so they’ve got to be tightly regulated and the question is to have a sensible balance and not overreact. And if I was making a criticism, it was of that.

JEREMY VINE:

What is wrong, for example, with the Nationwide, which seems to have gone back into house loans like there’s no tomorrow or maybe no yesterday? What’s wrong with them being told they need to keep 3 per cent of the money they’re lending as cash?

VINCE CABLE:

Well surely we want diversity in lending and the mutual building societies are absolutely crucial to provide proper competition with the banks. There was the prospect a year ago that the Nationwide and potentially other building societies would get into business lending. We were desperate to get new banks lending to business customers and the Nationwide is having to withdraw from that because of these tough capital requirements, and of course mutuals find it very difficult to raise capital in the market.

JEREMY VINE:

Let me stay on housing, if I can. And there is this Help to Buy scheme now, which the Chancellor’s brought in, which essentially allows people access to government cash to buy a house. Now again we’re back into the kind of stuff that you were warning about in the 2000s. It’s going to end in disaster, this, isn’t it?

VINCE CABLE:

Well I did warn about it and I am worried of the danger of getting into another housing bubble. I mean the Help to Buy scheme is actually quite complex. We have one part that’s already operating, which is providing mortgages against new homes, and I don’t think anybody has questioned that. The proposal which hasn’t yet been
implemented, which is providing a guarantee for a limited range of mortgage, could be a problem; it could inflate the market.

**JEREMY VINE:**
For almost anyone borrowing…

**VINCE CABLE:**
It could do. But if it’s properly designed, it could be a useful addition. The Canadians, for example, have a guarantee scheme for the insurance that underlies the mortgage market and it stabilised it, so it’s a question of getting it properly designed. But you’re right, I mean we mustn’t risk returning to the problems of the last decade when housing got out of control. But the real problem of course is housing supply. I mean the current numbers - about 100,000 a year - are hopelessly inadequate, and there’s a chronic deficit of social housing in particular.

**JEREMY VINE:**
But that is exactly the point. You put all this money into getting people to compete with each other, to rack up the price of existing houses, when people say you just should be building more houses.

**VINCE CABLE:**
Well that’s right and you know the housing industry collapsed in the wake of the bubble and that was a disaster that we’re now trying to come back from and the Government has taken a whole series of measures on housing supply. The one …

**JEREMY VINE:**
The social housing?

**VINCE CABLE:**
Well that’s where the big gap is and certainly as Liberal Democrats at conference, we’re going to be arguing how the Government through local councils should be doing much more to build social housing. Absolutely right, that is a big problem area. Nothing like enough has been done.
JEREMY VINE:
Okay and on HS2, the high speed rail link. You’ve suggested recently that it may not go ahead, or at least that’s what …

VINCE CABLE:
I don’t think so.

JEREMY VINE:
People read that into your comments because you said we’re still looking at it essentially.

VINCE CABLE:
Well obviously the Government’s continuing to look at it. It’s a massive project. We’ve got to do proper cost benefit analysis. But it is …

JEREMY VINE:
(over) Okay, let me just ask you a very simple question then.

VINCE CABLE:
(over) … no in conce…

JEREMY VINE:
(over) Could it be cancelled?

VINCE CABLE:
The Government isn’t remotely considering cancellation.

JEREMY VINE:
Could it be cancelled at this stage?

VINCE CABLE:
Well not by this government. I mean this government’s pressing ahead with it. It’s a big project. It will have major benefits in reducing the gap between north and south in economic terms, it will increase capacity. But of course it’s got to make economic
sense and …

**JEREMY VINE:**
*(over)* Getting more and more expensive every day.

**VINCE CABLE:**
Well that’s why the evaluations are continuing. But this government is committed to the project and it’s going ahead.

**JEREMY VINE:**
You’ve done it again. You’ve said the evaluations are continuing …

**VINCE CABLE:**
Yeah.

**JEREMY VINE:**
… which people who watch television will think right, so they’re not actually 100 per cent on it.

**VINCE CABLE:**
Well the design of the project has got to be such that it produces benefits for the country and that’s what will now happen. But there is a commitment. You can’t have governments switching on and off these massive projects that last decades because nothing ever happens.

**JEREMY VINE:**
The David Cameron interview last week with Andrew Marr, Marr had him speculating about life post-election and he had this rather telling phrase where he says, “I’m looking forward to leading a Conservative only government.” It couldn’t be clearer, could it? He doesn’t want you.

**VINCE CABLE:**
Well you know we want to compete on our own merits. We’re not looking to work with him. We’re equidistant between the other two parties, but …
JEREMY VINE:
Are you? You're in coalition with the Conservatives.

VINCE CABLE:
We are at the moment, but at the next election we will be competing independently and we'll be equidistant between the other two. And we'll be competing on our own record, which we’re proud of, and very much as an independent party.

JEREMY VINE:
So you’re also looking forward to being out on your own, are you, as a party?

VINCE CABLE:
Well certainly in an election campaign, we will be campaigning on our own independently.

JEREMY VINE:
Vince Cable, thank you very much indeed.

VINCE CABLE:
Thank you.

INTERVIEW ENDS