JOHN McDONNELL, MP, SHADOW CHANCELLOR

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AM: John McDonnell, the Shadow Chancellor was always an enemy of austerity, you might expect Labour to promise to end austerity and it does. But Mr McDonnell now goes further and talks about reversing austerity. What does he mean by that?

AM: Not just ending, but reversing, yes?

JM: Yes. Making the - starting the process of reversing. In the last General Election we put forward our proposals in the manifesto and we did a costed budget as well, which started that process of and that’s what we want to address. But we want some of that addressed in this budget if we can, if we can persuade Philip Hammond to do that, I think it’s critical. You’ve raised the issue of Universal Credit in the discussion about the newspapers. What I’m worried about is there’s a sort of a callous complacency in government at the moment about what’s happening out there. The Observer exposed today the issue on homelessness, but the Audit Office has said pause, hold back. We’re calling for the government now to halt the roll out and I’m saying to other political parties this is the test of the budget. If they don’t halt the roll out vote against this budget. It’s that important.

AM: Meanwhile voters are looking at your political party and they want to know will you actually reverse the Tory cuts. Will you reverse all of the cuts for instance on benefits?

JM: Well, we’ve said already when we went to the last General Election we’d put four billion aside for a new social security system which would tackle most of the problems of the Universal Credit problem but at the same time, introduce a real living wage, which is what the TUC and others have been calling for, tackle the
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housing problem by building so we’re not dependent on housing benefit, in that way we can lift people out of poverty and they will not rely upon – they don’t need then to rely upon the social security but net.

AM: I guess the problem with that is that the IFS for instance says that by the end of this parliament the cuts on benefits will have amounted to £40 billion pounds. And your Grey Book suggests you will reverse a tenth of that. Ten percent. It’s quite small beer. The rhetoric’s great but the actual numbers are pretty small.

AM: No. Let’s just rerun what I’ve just said very, very briefly. If we can introduce a real living wage, at the same time restore sector collective bargaining and yes, restore trade union rights at work, we believe that will give people a real living wage to lift them out of poverty.

AM: Do you know what level the living wage will be yet?
JM: Well, we’re saying £10 an hour. We’ve said that consistently over this last year, the TUC have reinforced it. The figures last week, 6 million people now are not earning the real living wage. That’s scandalous. We’re the sixth richest country in the world, we can’t allow people to rely on food banks to survive.

AM: So you’ll use legislation to lift up wages but meanwhile I’m asking specifically about the welfare budget, and as I say £40 billion worth of cuts and in the Grey Book you’re only promising to reverse 4 billion. That is ten percent.

JM: What we’re saying is, if you look at the whole package we’re putting forward, which includes housing so we’re lifting people off housing benefit. We’re scrapping a whole range of those penalties that –
AM: So what does the whole package cost you?
JM: 50 billion.
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AM: 50 billion.

JM: We’ve said in our alternative budget last year, £49 billion. That includes the money for social security, it includes the money for tackling the issues around the health service and it includes lifting people out of poverty pay. We believe that package will tackle poverty in our society.

AM: Let’s turn to another area of frontline for austerity which is local government and you said that local government is crying out for change at the moment. Will you reverse the cuts made by central government to local government?

JM: We’re going to start that process and one of the consultations we’re launching at the moment is to look at the new funding base that’s required by local government. If you remember in our last manifesto we introduced the discussions around land value taxation, not for residential properties but for non-residential properties. We were also looking at other areas in which local government can survive in the long term without dependency on central government, and that process has taken – going on apace at the moment.

AM: But meanwhile they need that money from central government and we talked to the Local Government Association and they said that the cut, as it were, from the central government to local government since 2010 had been in the region of £14.8 billion, so say 15 billion roughly. And again in your Grey Book you’re offering 1.5 billion which again is 10% only.

JM: To start that process off because we’re being realistic and responsible but working with local government to look to secure a financial base for the future. That’s the process. But when we reverse austerity it’ll be done on the basis of fairness and
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responsibility and we’ll achieve it, because we’ll be effective in introducing a package of reforms, not just some sticking plasters that’s been proposed by the government this week.

AM: You’re being very cautious and social democratic. This is not the red John McDonnell we’re used to, is it?

JM: Well if you look at what we put forward in the last manifesto and the costed manifesto that we put forward, we were told that was the most radical that had been since the Second World War. That’s the manifesto we’ll build on.

AM: Is the next one going to be more radical?
JM: It will build upon that, but what we’re doing at the moment – and you’ve seen it – we’re taking people with us. We’re saying look, here’s our objectives, if you don’t agree on the methodology tell us an alternative way. We build in consensus and it’s on the basis of a common sense approach.

AM: Let me ask you about police then. You have been very, very critical of the 21 thousand fewer policemen since this government took office and you said it’s endangering the public. But again going back to your Grey Book you’re only offering for 10,000. That’s half.

JM: Yes, 10,000 we said. We’ve said 10,000 and that was in the manifesto.
AM: Why only half?
JM: Because we’re trying to scale up as best we possibly can and of course as we grow the economy – I don’t want to overpromise. As we grow the economy, which I think we will effectively ‘cause the investment we’re putting in we’ll be able to afford more. But I want to do this in a way that people can see is extremely responsible but in a stage approach. 10,000 would make an awful lot of difference to tackling the massive increase in violent crime
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that we’ve seen. People will see police officers back on their streets again.

AM: Well alongside the police of course there’s the whole question of prisons and the court system. There’s not mention at all in the Grey Book of how much money you’re prepared to spend to reverse the 40% cut in the budget of the Ministry of Justice.

JM: There’s elements overall in the Grey Book which we’ll be able to do that which are wrapped up in the public service allocations that we’ve made. We’re now consulting with the Prison Officers Association and other experts as well about how we go forward and again modelling the best way of approaching that. I’m really worried because there’s been a 25% increase in assaults because of that staff shortages effect of it.

AM: Can we just put it to you that looking at these numbers and what you’ve said you are going to halt austerity but you’re still a long way from actually reversing it.

JM: Oh no, no quite the reverse. If you look at what we’ve said we are halting austerity but actually we’re tackling it, we’re reversing austerity as well. But we’re doing it in a way, as I said, we’re building consensus, we’re making –

AM: It’s a slow process really?

JM: No, it’s a process over the lifetime of a parliament we’ll be able to achieve, I believe, but it’s a way in which we’re saying to people part of this isn’t just about tax and spend, it’s about growing the economy. And if you look at what we’re saying there about our investment policies with regard - £250 billion in infrastructure investment over a ten year period, national investment bank, bring together Strategic Investment Board with the City of London and others about how we harness private investment as well, we’ll get to grow the economy and as we grow the economy we’ll reverse austerity in full.
AM: That’s, as it were, the current account. Can I turn to the capital account because you’ve also said that above all you want to reverse the privatisation in lots industry. Rail, mail, water, energy.

JM: We’ve had this discussion before.

AM: Exactly. And in the past you’ve said it’s not going to cost any money ’cause it’s going to pay back. But can I ask you first of all, do you accept that you would have to purchase these utilities at their asset value at the moment?

JM: The value will be determined by parliament. I can’t tell you at the moment how parliament will determine that. There’ll be a range of options put forward and parliament will decide. And that’s using existing legislation, that’s the traditional way of doing it.

AM: But if parliament decides to cut this dramatically from the asset value then we’re going to be in a position where pension funds are going to be hit, investors are going to be hit.

JM: Of course. We would never –

AM: So it’s got to be quite close to the actual asset value.

JM: Yes, but remember what we’re doing. Is whatever we purchase will be a value that comes onto our asset books so it will be neutral. These are profitable operations –

AM: But you still have to buy them.

JM: Yes. They’re profitable operations and the profit we will use to pay for some of the borrowing that we’ll need to do, this bonds for share scheme that we’ll do. But in addition to that we’re invest in – we’ll use it for investment too, because what we’re doing – let me give you water as an example. We’ve had this discussion before. We’re cutting out the dividend payments to the speculators. 18 billion in water paid out in dividends. So you know some of those companies were borrowing to pay dividends
rather than to invest. That will happen and we will not be ripped off anymore.

AM: We’ve had this conversation before, we haven’t yet got a figure of what it’s going to cost. I’ve got a few examples here of the current asset values of things that you would like to take into public ownership.

So Royal Mail three and a half billion. Not a lot of money actually to bring Royal Mail back into (private) ownership.

Centrica, twice that.

Severn Trent Water, just one of the water companies 4.3.

JM: But you’re working on the basis that this is a cost. Let me just finish. When we purchase something it comes onto our books. It’s neutral. That becomes an asset that we own. Then instead of the profits going to shareholders pockets we will use those profits to invest, we reduce bills and if we have to borrow at all issue bonds for shares, that will cover the cost of those.

AM: You are going to have to borrow to do this. You’re going to have to borrow to do this.

JM: Well that borrowing then is covered –

AM: And we’re going to have to pay for that borrowing.

JM: Yes, but that borrowing is covered by the profits from those individual companies and those profits will cover the borrowings but also help us reduce costs and allow us to invest as well. This is not rocket science. This is literally traditional business methods.

AM: But you’re going to make less money out of these companies because you think they’re ripping people off, so you’re going to pay their workers better and you’re going to remove the shareholder assets.

JM: We’re not going to stop – we’re not going to stop us being ripped off by dividends being paid out to speculators. I repeat to you. Look at the water industry. 18 billion paid out to speculators.
AM: But a lot of these so called speculators are ordinary British people investing in their pensions.

JM: And what we’ll do with the pension funds as well is make sure they get a decent rate of return which is stable for the long term future. I’m meeting the pension funds now. That’s what they want. They want stable return based upon long term patient investment within that sector, and that’s what we’ll give them. Security.

AM: The Centre for Policy Studies, not perhaps the most politically neutral body, but nonetheless, they say it’ll cost £143 billion to do this.

JM: Yes. Wasn’t that paid for by the water industry itself I remember?
AM: 176 billion. I’ve just added on 40 billion.
JM: I think some of these figures – some of these studies have been paid for by the industries themselves and I have to have an element of scepticism. Also some of them by the most right wing think tanks that have existed in our country.

AM: So if this is a ludicrous figure, as you clearly think, what is the real figure?

JM: Well, that will be determined by parliament. Parliament will determine the price.

AM: Don’t people have to have some sense of what this is going to be?

JM: Well when parliament determines that that will determine the price. But let me reassure them, it will not cost them anything because what we’ll be doing is taking an asset that will give us an
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income, we’ll cover the cost of purchase and invest properly and reduce cost.

AM: All right. You are like the Chancellor in one respect at least, in all of your numbers depend a bit on what happens with Brexit. Now it’s perfectly possible that Labour will come into power in a situation where we have some kind of breakdown in the current government, we have some kind of chaotic exit.

JM: Yes. I’m worried.

AM: In those circumstances do you have to rethink your plans? How do you plan for the impossible?

JM: You’re right, I’m worried. I’m deeply worried. I’ve seen interviews by Philip Hammond today who seems to be edging towards what he said a short while back, no deal Brexit, and I’m really worried about that. That’s the worst of all options. It could damage our economy, undermine jobs and we’ll do everything we can in parliament to make sure we get a deal that will protect jobs and the economy. And we’re saying to Theresa May if you bring that deal back that will protect jobs and the economy you’ve got our support. But if you can’t, move to one side and we’ll deal with it. And that’s the way we’ll protect our economy. We’ll negotiate a deal that will protect the economy, won’t have those repercussions because we think we can do it. Customs union –

AM: You may simply inherit what you don’t want to inherit. I mean you may have your election, come to power and it’s happened and my question is in those circumstances do you have a kind of emergency Chancellor period ahead?

JM: Andrew, what that means is that puts even more responsibility on people like me and others to make sure this government – and if they can’t make sure we do get a deal that protects jobs and the economy. And that’s the whole our motivations at the moment.
And this is cross party as well. We’re working on the basis that we want a deal that will do that.

AM: If you were Chancellor right at the moment would you be putting money aside to prepare for no deal?

JM: Well, I’d make the appropriate preparations but I would be negotiating to make sure we did get a deal and I’m worried - well I think there’s a whole callous complacency about what Philip Hammond is doing at the moment on the Universal Credit and on Brexit at the moment. The implications for our community if there’s a no deal I think could be catastrophic, and he should be standing up now and saying there will always be a deal and he’ll work with us if necessary to secure that deal.

AM: It has been suggested that you are plotting in the House of Commons to frustrate a no deal Brexit by using statutory instruments –

JM: No.

AM: - on the floor of the House.

JM: No, no, that’s rubbish. I think where this has come from –

AM: Just explain to us what’s going on.

JM: Yes okay. What’s happening at the moment is that we have just recognised that the statutory instruments that are coming at us – can you remember in one of the interviews you did I think, the minister admitted there’d be about 800.

AM: 800 yeah.

JM: They’re now coming through, the first ones are coming through and they’re looking like almost primary legislation. Huge amounts of pieces of legislation. And we’re saying to government this can’t work. And we’ve got to sit down now with government and the other parties to say how we handle this to get proper parliamentary scrutiny. I’m not preventing it but I’m saying you cannot for example try and sneak through the undermining of
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protections of consumers, environment and workers through statutory instruments.

AM: Well they say that the Chequers deal does give those protections. It’s written into the Chequers deal.

JM: Well that isn’t being translated we’re worried into the detailed legislation that’s going through. And this is delegated legislation. Often doesn’t even come to the floor of the House of Commons. And we’re saying to them we’re really worried. Sometimes you know we’ve found that ministers don’t even know what the Statutory Instrument means, so therefore there’s an agenda here that some people are pushing that could undermine those protections that even the Prime Minister said she’d guarantee.

AM: A very busy winter ahead. John McDonnell thanks very much indeed for talking to us.

Ends