ANDREW MARR:  
Now with the recovery apparently on course, unemployment falling, inflation low, is it time for a change of emphasis from the opposition? Will the cost of living crisis feel as acute by the time of the General Election? Well Ed Balls is with me now. That really is the first question, isn’t it? Things are getting much better. You’re going to have to change your tone, if not your policy.

ED BALLS:  
Well the European Elections were a wake-up call for politicians in all parties because the country said look, you may say there’s a recovery, Andrew, but there’s not a recovery for me, for my family, our community. Living standards are falling month on month. They have been for years and they’re not getting better, and I think out there in the country people are saying - and this is the new argument – who will actually deliver an economy which works for me? And they’re not saying George Osborne. We’ve got to win the argument. Labour’s got the ideas and the vision to answer that question.
ANDREW MARR:
But economic confidence, or optimism rather, is now at 50 per cent and rising. Unemployment is getting much lower. You know inflation is not a problem. You’ve got another sort of ten months or so before the election with consistently probably good economic news. You can’t simply just say it’s all terrible, can you?

ED BALLS:
No, but I’m saying to you, Andrew, the way you just described it is not how people see it in our country. Their living standards have been flat and stagnant for now over a decade and that’s carrying on because people are worse off this month than last month. So George Osborne can say complacently my plan is working. Most people are saying well that just makes you completely out of touch and is right – there is a deep issue which we’ve got to solve, which is how we make sure if the economy gets better, that’s actually shared with most people in our country. And I think that needs big reforms. That’s what Ed Miliband and I are setting out.

ANDREW MARR:
Yes.

ED BALLS:
I think it’s really complacent to say things are going well at the moment because most people are saying that’s not really true.

ANDREW MARR:
So Jon Cruddas in The Sunday Times this morning says it is the big reforms that are being parked. You’re saying no, no, we have to have some big reforms, so let’s talk about some. What about your plans for the North in particular? You’ve got a speech this week. Andrew Adonis has been working on some big plan. You’re going to take, what, 30 billion from central government and give it to the big Northern cities. Is that right?

ED BALLS:
Yes and we’re going to come up with big ideas. And just to answer that question, look I understand Jon Cruddas’ frustration about a newspaper headline. We’ve all been in a
situation where a big report or a big speech is reduced down to just one policy. Jon Cruddas, with me and Ed and others, has been working for months, years on big reforms. They’re going to come out in the next few months. People will see the policy review he has led has been a big deal. One aspect of that is saying if we’re going to have growth and jobs, not just in London and the South East – four fifths of the new jobs have been in London since 2010 – we’ve got to have more devolution of power to our cities and to our county regions, more devolution of housing spending, job spend, skills, business support. The local economic partnerships that government set up are a sham. We will reform.

ANDREW MARR:
(over) So why is he talking about … why is he talking about the “dead hand of the Labour centre”?

ED BALLS:
I don’t think he is because, look, he is part …

ANDREW MARR:
(over) He is. That was his phrase.

ED BALLS:
(over) … of the Labour centre and we are all working together on these big reforms. Look, it’s always, as I said, going to be frustrating …

ANDREW MARR:
(over) “Cynical nuggets of policy” was his other phrase. I mean it is quite an attack on the way things have been going, from a frustrated man quite clearly.

ED BALLS:
I think … Look I talked to Jon a couple of days ago. He’s not frustrated. He’s excited about his policy agenda. He’s frustrated the way in which one report of 250 pages gets reduced down into one headline.

ANDREW MARR:
ED BALLS:
Look it’s the way we live in the world we live and that’s how it goes. But I think we’ve got big ideas, big devolution. We’ve got reports this week on long-term infrastructure spending and new manufacturing industrial policy, new investment in skills. Big changes which, let’s be honest, aren’t really on George Osborne’s agenda.

ANDREW MARR:
Well let’s talk about one big change where last time Ed Miliband was on, he said that the current system of rail privatisation was not working for the country and he was open to offers. There’s been a lot of talk about kind of creeping nationalisation - doing it one by one by one, as happened to the East coastline. Is that on your agenda?

ED BALLS:
Well, look we want a more strategic approach to the railways, definitely, and the fact that Network Rail has now come back onto the government balance sheet provides an opportunity for that. But I think actually the franchising process of the last years has delivered more passenger numbers. There’s been big public investment as well. But actually in the East Coast, there a public operator has been doing a really good job, so we’re going to look at what we can do.

ANDREW MARR:
So why not spread that idea?

ED BALLS:
Well look what we want to say is, without ideology, we’re not going to say this is about nationalisation or privatisation. Let’s make sure the franchising process in the future gets the best deal for the taxpayer and the best deal for passengers and on fares, matching investment with reform. And I’m not going to say it’s a matter of a ideology. That should always be private or always public. If the East Coastline wants to bid into that process, that’s a good thing.
ANDREW MARR:
You’d like to see more investment in infrastructure, however. Andrew Adonis has been one of those people who’s behind your big policy review saying you could simply take back the railway system, bit by bit by bit, by not reopening the bidding process when one franchise comes to an end.

ED BALLS:
Well, as I said, I think it’s a good thing for us to say in the bidding process we’re happy for private and East Coast to bid into that process on a level playing field. I’m not going to take an ideological approach. I don’t want to go back to the nationalisation of the 70s. I think many people would say that some of these franchises have operated in a pretty unfair way to consumers and in the East Coast it failed. So let’s get to a level playing field, not be ideological.

ANDREW MARR:
But we’re not going to see any great big renationalisation of the rail system under Labour?

ED BALLS:
I don’t think people want to go back to the British Rail of the 70s and the 80s.

ANDREW MARR:
That’s not quite what I was saying. Not the British Rail system, but an overall state owned system with lots and lots of different companies inside it.

ED BALLS:
There is big public investment going in currently to attract infrastructure which is now state owned and on balance sheet because Network Rail is there. And that investment is going in from the public sector. What we want to know is we’re getting value for money and the best deal on fares and for passengers for the future, and the right way to do that is to say let’s have a competitive process on a level playing field. But I’m saying to you look if East Coast (which is currently in public ownership or a franchise which is not a private franchise) can bid into that process, that’s a good thing.
ANDREW MARR:
Right, so we may see a creeping system of effective nationalisation. But we won’t carry on talking about that because we’re running out of time.

ED BALLS:
Well, as I said, it’s a national system already.

ANDREW MARR:
Alright. So let’s move to Europe, which is the other great big story of the week. Do you think that Britain is heading towards the exit door?

ED BALLS:
Well David Cameron has told us that seems to be what he’s now doing after this summit. I’m really worried about where we are. I think this weekend was a catastrophe for Britain and the British national interest. I’ve never seen a negotiation so cack-handed. Although to be honest, Andrew, from the Prime Minister who left the EPP because his party demanded it, walked out of a summit two years ago because he was bowing to party pressures, what did you expect? We won’t be influential in the world unless we are influential in Europe, and we’re now being ignored in …

ANDREW MARR:
(over) So would you not have fought the Juncker battle? Would you have allowed Juncker’s name to go forward as a government?

ED BALLS:
Look, we would have gone into that summit and said what is our vision for Europe? We need reform and the test is who can deliver that reform?

ANDREW MARR:
That is what Cameron was saying.

ED BALLS:
No he didn’t. He went into the summit and said you’ve got to give me something because my party demands it and I need the head of Jean-Claude Juncker. And what happened was people in the rest of Europe said we’re not going to be treated in that
way. You can’t dictate to us on the basis of a party …

**ANDREW MARR:**
(over) But given that Jean-Claude Juncker is a kind of avowed old-fashioned federalist, you can see why he didn’t think that Juncker would be the right man to be leading the EU in the next few years …

**ED BALLS:**
Sure.

**ANDREW MARR:**
He was right about that. Was he right about that?

**ED BALLS:**
And that was our view. The issue is, Andrew, why did he fail so catastrophically to persuade anybody to join him? He says in private they were supporting him and in public they didn’t. What has happened when the British Prime Minister can’t win an argument because if he’s associated with it other people have to peel away. And what it tells you is …

**ANDREW MARR:**
(over) I’m just slightly unsure how you’d have done it differently. That’s all.

**ED BALLS:**
We’d have gone in and said we need to have reform in Europe. And we’ve have said the test for this is which candidate can deliver that reform. I don’t think Jean-Claude Juncker was the best candidate, but David Cameron …

**ANDREW MARR:**
(over) But you wouldn’t have demanded his head?

**ED BALLS:**
Well I think to go in that way and attempt to blackmail our European partners …
ANDREW MARR:
(over) So it was about tone and tactics, not about picking the battle? The battle was right; the way it was fought was wrong?

ED BALLS:
Well of course, but it goes to a deeper point, which is, ‘what is David Cameron’s European policy?’ Does he think we should be in Europe? I do, and I think that we will only be influential in the world if we are influential in Europe. Does he want reform? He says he does, but he can’t tell us what his reforms are. He set an arbitrary timetable for a referendum which everybody knows is deeply destabilising. And why has he done that? Because European policy is not being decided by the national interest, Britain’s future jobs and investment, but by what Tory backbenchers are demanding. He’s weak, he’s lost control, he’s on the backfoot …

ANDREW MARR:
(over) Go on, tell us what you really think. Okay.

ED BALLS:
Well I think it’s catastrophic for Britain.

ANDREW MARR:
And are the Labour Party really going to come forward and argue more vociferously for Europe because you know if there is going to be a referendum somebody presumably is going to have to take that role? The Liberal Democrats say Labour can’t. Will Labour?

ED BALLS:
Labour is absolutely united. We want to stay in Europe but we want reform. Tough reforms, reforms to immigration rules, reforms to the CAP, to the Budget. But a year ago, but a year ago, Andrew, David Cameron said, “I’m going to launch the pro-European campaign.” Twelve months on, that looks to be a complete sham. Only Labour will go into this …
ANDREW MARR:
(over) And to be absolutely clear, Labour’s position on a referendum after the next election is no – not unless there is a huge change?

ED BALLS:
Any transfer of powers from Britain to Brussels, we’d have an in/out referendum.

ANDREW MARR:
Otherwise not.

ED BALLS:
No.

ANDREW MARR:
Right, that’s very clear.

ED BALLS:
But setting an arbitrary timetable now for a referendum in two years’ time is deeply destabilising, bad for business, bad for jobs, bad for investment, bad for Britain. The right thing for us to do is to argue for reforms, but we’ve got to be listened to and we’re not being listened to at the moment.

ANDREW MARR:
We’re not because we’ve run out of time. Ed Balls, thank you very much indeed for that.

ED BALLS:
Thank you.

INTERVIEW ENDS