ANDREW MARR:
Four years ago George Osborne thought he’d have got rid of the deficit by now, but he’s still borrowing about £100 billion, which is a headache for him and for anyone hoping to succeed him after the election in six months’ time. So how would Labour balance the books? The Shadow Chancellor, Ed Balls, is with me now. Good morning to you.

ED BALLS:
Good morning, Andrew.

ANDREW MARR:
Let’s start by asking about this £2 billion for the NHS. Rather shoots your fox, doesn’t it?

ED BALLS:
Well, look, the Conservatives wasted £3 billion on their reorganisation of the NHS, so this is a typical Tory pattern: a winter crisis and then crisis money coming after it. The question is: is this a one-off or is there going to be an actual long-term investment in the nurses and doctors we need? Labour has said we’ll have a tax on high value
properties, 2.5 million pounds over and above Tory spending plans for 20,000 more nurses, doctors, care workers too. We’ll save the NHS. I think you can see the Tories are really putting the NHS in danger.

ANDREW MARR:
Well, as I recall, your leader Ed Miliband said during his party conference speech that Labour was going to find an extra £2 billion for the NHS without giving a timescale. Surely George Osborne is doing exactly the same thing but with a timescale?

ED BALLS:
Well George Osborne has come along with crisis money. It’s not clear that it’s going to be for …

ANDREW MARR:
(over) There is a crisis, so that’s not unreasonable.

ED BALLS:
Well the crisis is now, is he going to spend the money now, or is it for next year? We think there needs to be some more money now. We’ve said over and above their plans, we will put in £2.5 billion a year, but we will say where the money will come from. Everything which we’re doing is costed and paid for and funded. We’ll take the money from the high value properties over £2 million and use that for those extra doctors and nurses.

ANDREW MARR:
(over) I want to come onto that, I want to come on to that tax directly shortly.

ED BALLS:
But there’s an important point here, Andrew. The Conservatives are coming along now with unfunded commitments, the deficit’s huge. They’re making unfunded commitments. Everything which we announced is costed and paid for and we show where the money’s coming from because that’s the responsible thing to do.

ANDREW MARR:
But on this announcement, on this announcement we’re talking about this morning, they are exactly matching what you and your party said it was going to do at your party conference. Do you back it or not?

**ED BALLS:**
Where’s the money coming from? We don’t know yet. We’ll wait to see on Wednesday. Is it one year or is it for the future? Is it just crisis money or is it a long-term investment? We will over and above their plans put in a further £2.5 billion on top of their plans …

**ANDREW MARR:**
Whatever they spend?

**ED BALLS:**
Whatever they do, we need more money for the National Health Service - £2.5 billion more for 20,000 more nurses, 8,000 more GPs. I think our NHS is in real crisis. That’s what Simon Stevens has said: we need a long-term plan.

**ANDREW MARR:**
(over) So this 2 billion … sorry. So this 2 billion is something that you back, but you’d like to see more of it?

**ED BALLS:**
Well I want George Os…

**ANDREW MARR:**
(over) Good old George Osborne, you can say - £2 billion, I’m in favour of that.

**ED BALLS:**
Look …

**ANDREW MARR:**
Go on, just say it. *(laughs)*
ED BALLS:
We have a winter crisis because the Tories have mismanaged …

ANDREW MARR:
Yeah.

ED BALLS:
… and privatised and caused chaos in the NHS. It’s a typical Tory plan – chaos crisis money. We’ve money now, but a long-term plan paid for. Labour’s got a long-term plan to save the NHS and to repeal the privatisation legislation. What’s George doing? We don’t know. A two year … a 2 billion pound one-off bung, that wouldn’t be good enough. Is it really a long-term plan? Maybe he’ll give you an answer. Maybe he’ll say where the money’s coming from.

ANDREW MARR:
And maybe you could tell me whether you actually back it or not?

ED BALLS:
Well if he’s going to put more money in right now for this winter, of course I’ll back it. I want money now, but I also want a long-term plan, which is costed and paid for. We set that out. Where’s his?

ANDREW MARR:
Now you mentioned several times just now the mansion tax, so-called mansion tax. Your leader, as you may have seen, got quite a battering from Myleene Klass on this very subject. And there is a point, is there not, that there are lots of people sitting in high value properties without high value incomes – sometimes without much income at all? You’re going to have to water this tax down or they’re going to be thrown out of their homes, aren’t you?

ED BALLS:
Well, look, the Myleene Klass stuff got a bit distracted onto whether it’s really true that a garage costs £2 million. I’m not sure if that’s quite right.
ANDREW MARR:
(over) Let’s keep away from garages.

ED BALLS:
But she made two important points actually. She said we need to make sure that old people – and there’s a small number like this – with big houses and little income aren’t hit and we aren’t going to have a fiscal drag where properties at the moment worth around half a million or a million pounds get drawn in. And on those two points, I’ve said any person who is a basic ratepayer or below won’t pay the mansion tax year to year to year. They would only pay it when the house is finally sold. On the second point, I’ve said we’ll uprate this by the rise in the highest value properties, so any property today less than £2 million will not come into the mansion tax. The vast majority of properties in London and across the country will not pay. But don’t you think it’s fair, especially when so many foreign investors are investing in our housing market and when you have much lower tax rates on higher value properties than other houses, we need some money to save the National Health Service. That’s what we’re going to deliver. I think most people think it’s fair whatever Myleene Klass thinks.

ANDREW MARR:
Why don’t you graduate it?

ED BALLS:
Well we are going to graduate it because it’s going to be a progressive tax done in bands. So we’re saying that between 2 and 3 million pounds, it will only be £250 a month. Now that’s quite a lot of money for most people, but for people with properties over £2 million, we think that’s affordable given my point about basic ratepayers not paying that. Over 3 million, over 10 million, over 50 million, then it will proportionately … more than proportionally increase. It will be progressive. So it is going to be steered … staged and tiered, but it’ll be fair. Nobody watching your programme with a house below £2 million will pay. Most people think a tax on properties above £2 million is fair to save the National Health Service.

ANDREW MARR:
But the more you deal with the people who are income poor, if asset rich, the less money you’re going to get from that tax by definition. Behaviour is going to change and so forth.

ED BALLS:
Andrew …

ANDREW MARR:
There is a better tax …

ED BALLS:
Right.

ANDREW MARR:
… which has been discussed in New … working in New York, now being discussed in Scotland, which is to take a proportion of the profit people take on a property when they sell it as a tax: 8 per cent in New York, 10 per cent in Scotland thereabouts.

ED BALLS:
Sure.

ANDREW MARR:
That is a better tax. Why haven’t you looked at that?

ED BALLS:
Well that is a capital gains tax on property …

ANDREW MARR:
Yes.

ED BALLS:
... and we have a rule in our country that on second properties you pay capital gains tax, but you don’t pay capital gains tax on your first property. Instead we have the tax like council tax …
ANDREW MARR:

(over) Break the rules.

ED BALLS:

Well personally I think this is a better way to do it because I don’t want to have the tax only on the transaction. I want to have the money coming in every year for our National Health Service.

ANDREW MARR:

Okay.

ED BALLS:

I think it’s fair, I think it’s thought through, I think it will work, I think most people will support it. There’ll be some people who’ll campaign against it. Of course Savills are going to try and scare everybody with a £50 million house …

ANDREW MARR:

(over) They’re the estate agent, yes.

ED BALLS:

The estate agent.

ANDREW MARR:

Sure.

ED BALLS:

But to be honest, I think people with houses at £50 million or £10 million can afford to pay a bit more and they’re going to under the next Labour government.

ANDREW MARR:

If you become Chancellor of the Exchequer, you’re going to be a very, very unpopular man. You may feel I’m unpopular already. It’s going to get much, much worse because you’ll have a £75 billion deficit to deal with over four or five years.
That’s going to involve deep spending cuts as well as tax raises, isn’t it?

**ED BALLS:**

Yes.

**ANDREW MARR:**

What are you going to do for the welfare budget, for instance?

**ED BALLS:**

Well, look, it’s going to be tough and I’ve got to be unpopular, and a Labour Chancellor or Shadow Chancellor can’t be unpopular … can’t be good unless they are unpopular for saying there’s going to be some tough choices and some hard decisions. And just looking at the last few months, I’ve said for the next parliament we’re going to reverse the top rate tax cut, we’re going to take winter allowance away from the richest pensioners, we’re going to capture our benefit at 1 per cent for 2 years, we’re going to cut ministerial pay by 5 per cent with a zero based review which will abolish police and crime commissioners, but we’ll not make any unfunded commitments to spend or borrow where we can’t show how the money will come from. Now of course …

**ANDREW MARR:**

(*over*) What about the huge bills on public sector pay and pensions? Are you going to carry on the freeze there?

**ED BALLS:**

Well I’ve said in 2015/16, we will match the government’s spending plans and, therefore, we’ll have tough decisions …

**ANDREW MARR:**

(*over*) That freeze continues?

**ED BALLS:**

… but what I want to see is rising pay in the private and the public sectors. And this actually gets to a key point in this whole debate and with the Autumn Statement this week. Yes there has to be cuts, I can make fairer choices, but why is it that so far –
even with growth this year – the deficit has gone up, not down? *(Marr tries to interject)* Let me answer the question, Andrew. It’s exactly your point. The reason is because – as the OBR, the independent experts have said – because wages are falling and stagnating, because the average person …

**ANDREW MARR:**

*(over)* Sure, well we’ll talk about that with the Chancellor.

**ED BALLS:**

*(over)* No, no, no, no.

**ANDREW MARR**

*(over)* We’re running out of time and there’s one thing I must ask you about.

**ED BALLS:**

*(over)* Andrew, let me answer this question. I’m going to answer this question. It’s really important.

**ANDREW MARR:**

But it’s a question you’ve asked yourself.

**ED BALLS:**

If people’s wages are falling …

**ANDREW MARR:**

Yeah.

**ED BALLS:**

… and the tax revenues don’t come in, then the borrowing doesn’t come down, it stays high.

**ANDREW MARR:**

Right, okay.
ED BALLS:  
George Osborne is failing because of the cost of living crisis on the deficit and we’ve got to sort that out.

ANDREW MARR:  
(over) Why is it fair … why is it fair for Labour MPs to vote on income tax rates in the House of Commons if Labour MPs in Scotland, in the Holyrood Parliament, have that power themselves? You must concede that income tax is going to be taken away from Scottish MPs down at Westminster if the proposals of the Smith Commission go ahead?

ED BALLS:  
Look there is an issue here, there’s no doubt. The Smith Commission Report says this week that the UK budget will be set by UK MPs. Of course it’s the case, if you have devolution like this, we need to make sure that it strengthens the union and that it’s fair to Scotland and England as the Smith Commission said. But on this issue of votes … on this issue of votes, we need to look at it. That’s why we’re having a constitutional convention. But you also know, as McKay said when he said there’s an issue here, a fairness issue, he also said the government’s own commission, if you simply go for two classes of MPs or two parliaments, the union is put seriously in jeopardy and I’m not going to play fast and loose.

ANDREW MARR:  
(over) But if Scottish MPs are raising income tax for English voters at the same time as English MPs have no control over income tax rates in Scotland, there’s going to be riots on the streets of England. You can’t allow that to happen, can you?

ED BALLS:  
But you know, Andrew, what a simplistic thing that is to say. David Cameron is saying that because he’s trying to play party politics with our constitution and the future of our country. The government's own McKay Commission said there is an issue of fairness around voting.

ANDREW MARR:
Okay.

**ED BALLS:**

We need to find a way to solve that. We will in our constitutional convention. But if you start having different classes of MPs, you’ll destroy the union and undermine prosperity in every part of our country. I’m not going to be part of that.

**ANDREW MARR:**

*(over)* We could talk about this … We could talk about this very happily all day. We don’t have all day, but thank you very much indeed for that Ed Balls.

**ED BALLS:**

Thank you, Andrew.

**INTERVIEW ENDS**