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THE ANDREW MARR SHOW

INTERVIEW:

GEORGE OSBORNE, MP

CHANCELLOR OF THE

EXCHEQUER

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ANDREW MARR:

Now what is it with politicians and targets? The Conservatives are spectacularly missing their latest target to slash immigration and George Osborne admitted some time ago that it will take twice as long as he thought to get the public finances back in the black. That won't happen now until 2019, if all goes according to the revised plan, and that means an awful lot more pain to come. George Osborne, the master of pain, is with me now. If you are re-elected as Chancellor, you're going to be dumping a lot more grief on the British public over the next five years, are you not?

GEORGE OSBORNE:

Well I think the British public understands that difficult decisions need to be taken, so that Britain can live within its means. And when we've explained that to the British public, actually we've had the support of the British public and they can see the progress we've made, how we've turned around a disastrous economic situation four years ago and now Britain is growing more strongly than almost any other country in the Western world.

ANDREW MARR:

But you have £100 billion to deal with in terms of the deficit over the next parliament if you're re-elected, and that means – according to some of the clever studies and so forth – that the non-protected departments, all the departments that are not NHS – schools and overseas aid - have cuts of 25 per cent still to do. That's going to be almost intolerable, isn't it?

GEORGE OSBORNE:

Well, first of all, I don't accept that you can't make savings in government and that Britain can't live within its means. If we take ... Let me give you one example ...

ANDREW MARR:

(over) It's the scale of them I'm talking about really.

GEORGE OSBORNE:

Well we've made difficult decisions in the Home Office budget, which three or four years ago you and others said were impossible. We've made those savings and crime is down 10 per cent. Public satisfaction with local government services is at a record high, the NHS is treating more people.

ANDREW MARR:

(over) So you should just do it all again?

GEORGE OSBORNE:

Well I think you can make sure that this country lives within its means. We shouldn't face this false choice of either bankrupting the country or having decent public services. I think you can have an economic plan that delivers for the country. Look what you're going to see on Wednesday is how we stay on the course on prosperity, how we boost business, back aspiration, build that Northern Powerhouse – starting with a big infrastructure plan for the UK tomorrow. And what you're also going to see is me avoiding the mistakes of Labour chancellors before elections with unfunded giveaways that lead to economic problems after the election. I'm not going to do that. We're going to stay the course to prosperity.

ANDREW MARR:

Well you say “unfunded giveaways”. You talked about £7 billion tax cuts at the time of the party conference. We’ve now got another £2 billion for the NHS and a lot more announced in the newspapers today. You seem to be giving away a great deal of money without telling us where it’s going to come from.

GEORGE OSBORNE:

Well we first of all have made difficult decisions that people have seen in the welfare budget, which by the way is not part of these calculations when you see organisations like the Institute for Fiscal Studies talk about the impact on government departments. They’re not calculating further changes to welfare. I’ve said that difficult decisions are required like freezing working age benefits, so I’ve been upfront about that. But you can have decent public services, you can support hardworking taxpayers, and you can get your deficit down. I’ve shown that in this parliament and we will show it in the next parliament too.

ANDREW MARR:

(over) And do political ... and do political giveaways when it’s convenient to you?

GEORGE OSBORNE:

Well they’re not political giveaways as you describe them. I’m not going to have unfunded giveaways in the Autumn Statement.

ANDREW MARR:

So where does the 2 billion for the NHS come from, for instance?

GEORGE OSBORNE:

Well because we have a strong economy and we’ve got the public finances under control, we can afford to put £2 billion into the frontline of the NHS across the United Kingdom. And indeed I can tell you we can go further and use those fines that have been paid by the banks for a permanent improvement in GP services. This is a down payment on the NHS’s own long-term plan and it shows you can have a strong NHS if you have a strong economy.

ANDREW MARR:

This is all based on economic growth charging ahead. The Prime Minister talked about the “red lights flickering on the dashboard of the international economy”. It’s already going to take twice as long as you predicted to get rid of the deficit and we’re having lots and lots of warnings ahead of weak markets all around the world, in the EU and in the Far East and so forth. How convinced are you that we are really on course?

GEORGE OSBORNE:

Well we are on course because we have turned the UK around from being a basket case, which it was four and a half years ago, to one of the strongest growing economies in the world. You keep saying you know we’ve missed all our targets on the def...

ANDREW MARR:

(over) You have.

GEORGE OSBORNE:

The deficit is down more than a third. And the IMF, that international body that monitors all the world’s economies, says we have seen a more sustained fall in our deficit than any other major advanced economy. So we have taken difficult decisions, but I’m the first to say there’s a huge amount more to do. We’ve got a difficult global situation out there. Our nearest neighbours in the Eurozone of course you know are stagnating at best. So these are all the challenges you face. It’s all the more reason to work with your long-term economic plan and make sure you’re focused on the horizon and delivering what the country needs for the future.

ANDREW MARR:

I’m just wondering how serious you are about your long-term plan because you said originally to us that we would have the deficit gone by now. You’re not even halfway there and you’re already saying and here’s another 2 billion for the NHS and here’s another 7 billion of tax cuts and so forth. Is this really serious?

GEORGE OSBORNE:

Of course it's a serious long-term economic plan and it has already delivered major improvements in the state of the British economy. Look at employment. We've created more jobs in this country under this government than the rest of Europe put together. We've had the fastest fall in unemployment in this country's history. So those are real those are real outcomes for real people.

ANDREW MARR:

And to keep going, we need you know strong export markets and we don't have them.

GEORGE OSBORNE:

(over) Of course. Of course we need to do more. We need to improve our productivity. That's a British weakness. We need to make sure we export more. And of course when our main export markets in Europe are weak, we need to look further afield to China and India and Brazil. We need to make sure that our kids have the right skills, we need to make sure our businesses are competitive. You're going to see all of these things addressed on Wednesday as part of an ongoing plan to prepare this country for the global race and the challenges we all face in the modern economy.

ANDREW MARR:

How substantial is the infrastructure investment that you're planning? I mean is this a real step change or just a few more roads on the margins of the country?

GEORGE OSBORNE:

Well it's a major improvement in our country's road system, which was frankly neglected, and we're spending much, much more money than even the previous Labour government when they were you know spending money like there was no tomorrow. And look I've made, I've made a real ...

ANDREW MARR:

(over) So they were spending money like there's no tomorrow. You're spending more of it even in tough times.

GEORGE OSBORNE:

(over) Well look ...

ANDREW MARR:

Are we going to see more motorways or what?

GEORGE OSBORNE:

Well you're going to see major new improvements on key roads to the South West of England, through Norfolk, up through Northumbria. We'll set out the details tomorrow. But what people know is that if you're not planning for the long-term of your economy, you're not planning for the long-term of your society. And I have taken very difficult decisions, which you've often questioned me about, on welfare where we've cut £20 billion from the welfare budget, from government budgets where we've made savings, and I've done that so we are investing in our economic infrastructure, we are backing our businesses, we are investing in the services people care most about like the National Health Service. Those are real choices we make – hard choices but choices that deliver prosperity for our country.

ANDREW MARR:

If you can't stay on track for the deficit reduction plan, if things go slightly off track, does that 2 billion for the NHS and those £7 billion of tax cuts go ahead come what may?

GEORGE OSBORNE:

Yeah, absolutely. Look we ...

ANDREW MARR:

(over) Why?

GEORGE OSBORNE:

Well, first of all, you know we have a commitment on taxation to help hardworking people, to lift the tax free allowance to £12,500 by 2020. That's not a luxury. That is part of creating strong work incentives in this country, so it pays to work, and we also want to raise the top threshold to £50,000 before people start paying 40 per cent. So those are about creating an economy where it pays to work. And for the National

Health Service, let me be clear. This money is year after year, it's not ...

ANDREW MARR:

(over) It's not just a one-off emergency fund?

GEORGE OSBORNE:

(over) It's not just ... it's not just a one-off. I will - to use the technical phrase - baseline it into the NHS's budget. And then crucially, as I've just announced today ...

ANDREW MARR:

(over) So that means that the mansion tax money is not necessary?

GEORGE OSBORNE:

Well the mansion tax is Labour's problem.

ANDREW MARR:

I know.

GEORGE OSBORNE:

It's not a mansion tax. It's a tax on people's homes. And of course they come on this show and tell you it's for people with houses worth 10 or 50 million pounds. Once Labour introduce a homes tax, it will be people with homes worth a fraction of that who will be clobbered with it. But what I'm doing is not taking that high taxing approach. I'm saying we've got to make tough decisions in our public expenditure, in our welfare budget, and that is how we can afford these things. And finally, just crucially on this point with the NHS, Simon Stevens is the man who runs the NHS. I met with him yesterday. I've discussed all this with him. What we're doing here is a down payment on his plan - his long-term plan for the National Health Service, endorsed by the National Health Service - with this new fund to improve GP services, working closely with our hospitals to transform the NHS into the future ...

ANDREW MARR:

Alright.

GEORGE OSBORNE:

... so it goes on dealing with our ageing society and all the new medicines that are becoming available.

ANDREW MARR:

I don't want to be entirely Mr Grumpy, but looking ahead at the eye-watering scale of the deficit reduction still to be done, I must ask you some direct questions. First of all, are you going to raise VAT?

GEORGE OSBORNE:

Well we don't have any plans to ...

ANDREW MARR:

(over) Any plans. Can you give me a commitment you won't ...

GEORGE OSBORNE:

(over) Well to put it ... let me be blunter. Our plans which we've set out involve spending reductions, which is what you've just been asking about, and I have to explain where the spending reductions come from – which I've been doing – including things like freezing working age benefits. They do not involve tax increases.

ANDREW MARR:

You've mentioned working age benefits again and again, but you know the latest research shows that for the first time in our history really pensioners as a group are now relatively well off. They're better off in many cases than they were when they were younger and earning money. Why is it that you are constantly protecting pensioners and is that going to carry on during the next parliament? You've got the triple lock, you've got this, you've got that, but actually pensioners have had it very, very easy compared to many other groups in society.

GEORGE OSBORNE:

Well to be honest, I don't accept this analysis which you read the whole time. Pensioners are people who've worked all their lives on fixed incomes and are actually as a group among the poorest in our society.

ANDREW MARR:

And vote.

GEORGE OSBORNE:

No, they're among the poorest in our society and they deserve our support. And I have made huge savings in the Pensions Bill, bigger than any other saving I've made anywhere else in government, by increasing the pension age. That has saved half a trillion pounds for this country, the decisions that I have taken. That is the way to save money in pensions: increase your pension age with the ageing society. What you don't do is go and take money away from people on fixed incomes who've got no other way of adjusting their income, and I am going to go on making sure that pensioners get the benefit of having worked through their lives and saved ...

ANDREW MARR:

Right.

GEORGE OSBORNE:

... and have a decent income in retirement.

ANDREW MARR:

You're about to go into a very strong competition over taxes and so forth with the Labour Party, so again some very direct thoughts. You're definitely not going to raise VAT? That is ruled out, yes or no?

GEORGE OSBORNE:

Well our plans involve spending reductions. They don't involve tax increase.

ANDREW MARR:

So no tax rises. You see you could take quite a lot of the pain away from the poorest in society by putting a penny on the basic rate income tax, it would give you £7 billion, or the same on national insurance - £7 billion. Are those ruled out in a future Conservative government?

GEORGE OSBORNE:

I've got plans to reduce income tax and I don't think putting the jobs tax up is very sensible when you want to create jobs.

ANDREW MARR:

So those are both ruled out definitely?

GEORGE OSBORNE:

My plans involve reductions in spending, including reductions in welfare. And I do stress that all the analysis you'll read from the Institute for Fiscal Studies and others assume there are no further savings in the welfare budget. I don't think that's the right choice for this country. I think we should be making savings in welfare ...

ANDREW MARR:

(over) Beyond what you've announced already?

GEORGE OSBORNE:

(over) ... to spend money on economic infrastructure like roads and

ANDREW MARR

Okay.

GEORGE OSBORNE:

... and to sharpen work incentives, making it ... giving support to our working taxpayers by increasing tax free allowances.

ANDREW MARR:

Chancellor, for now thank you very much indeed.

GEORGE OSBORNE:

Thank you.

INTERVIEW ENDS