Provox - **The Rt Hon Ed Balls**

Transcript

Paul Johnson

Hello and welcome to Provox, a podcast from the Queen's College Oxford. I'm Paul Johnson, I'm Provost of Queen's College and I will be talking to people associated with the college in a series of episodes, all of which will be looking at how they've shaped the way that we think, the way we learn, the way we lead, both shaping thought here in Oxford and far beyond. I'm delighted to welcome Ed Bowles, who many of you will know as a cook and a dancer. He used to be a politician. He's also a podcaster and presenter of daytime TV. I'm assuming many of you don't watch Good Morning Britain, but...

The Rt Hon Ed Balls

It's a bit early.

Paul Johnson

Ed was telling me he gets up at 3.30 most mornings in order to... present this. I mean, I could spend a long time talking about Ed's CV, but as you probably know, he was advisor to Gordon Brown, both in opposition and in government. He was a minister of the Department of Children's Schools and Families. He was Secretary of State there, Shadow Chancellor. And then we can talk about this, lost his seat to Dame Andrea Jenkins, which can't have been the best of It got worse after actually. He's remade himself since then as a TV presenter. And I mean, I will say this with honesty. If you haven't seen his Travels in Trump Land, it's a really good series as a celebrity dancer. He's published a recipe book. He's learned to sail. He's learned the piano. He's A visiting professor at Harvard and at King's College London, I believe. And his podcast with George Osborne has just won the Political Podcast of the Year award, I think. But of course, the apogee of his career was being my tutorial partner when we were undergraduates. The big problem with Ed is he makes me feel like the most appallingly serial underachiever. So We will spend.

The Rt Hon Ed Balls

You are the Provost of Queen's College.

Paul Johnson

Well, sorry, yes, that wasn't a diss on Queen's.

The Rt Hon Ed Balls

I felt as I should dig you out of that one. When people say that on the television, you say, you know, I don't think you mean that, Paul.

Paul Johnson

So we're going to spend 45 minutes or so in discussion, and then we'll have some time for questions, and then there'll be drinks outside where you can pester Ed some more.

The Rt Hon Ed Balls

So Paul was there at the beginning of my political journey, if I'm honest. Can I tell the story?

Paul Johnson

Go on.

The Rt Hon Ed Balls

Nineteen. We had a row.

Paul Johnson

And you will learn more about me than I would have revealed myself.

The Rt Hon Ed Balls

So I had joined the Labour Party when I was 16, but basically because my father was the chair of a ward and he needed the votes And so I became a member in order to be signed up. And then at age 18, I arrived at Keble College straight out of school. And I think you were probably straight out of school as well.

Paul Johnson

I was indeed.

The Rt Hon Ed Balls

And we were both 18. And in our first week, we're both going to do PPE. As you say, we ended up both being to tour partners. Did you do economics and politics or economics and philosophy?

Paul Johnson

Philosophy.

The Rt Hon Ed Balls

Yes. So we both did economics and philosophy. We both dropped the politics. on the grounds and you could pick that up later. And the books were very, very long. Most of the books are very, very long. But we went to the left caucus meeting in my first week.

It's the left caucus of Keble and Paul was there. And I didn't know what your politics were. But there was this discussion going on. Just to give you a context of the time, my first meeting of the University Labour Club, which was, I think, just by the King's Head pub in some room somewhere. The debate at this meeting was they were going to have a new banner for the Labour Club and should we have the hammer and sickle on the new banner for the Labour Club? And it was won by a very large majority. And I remember at the time thinking, I'm not sure this is the Labour Party I really want to be part of.

Paul Johnson

To give you another flavour of the time, another member of the Labour Club at that moment was Keir Starner.

The Rt Hon Ed Balls

Oh, well, there we are. What a journey. And I wonder which way Keir voted. Anyway. Almost certainly in favour. So we were at this left caucus meeting and this debate was going on. And I had studied A level economics and I'd come to study economics with Paul. That's why he came, because he knew I'd be there. And so I said in this meeting, I said, just to understand, I said, I mean, what is wrong with capitalism anyway? I mean, isn't capitalism the better system rather than, you know, a state-planned economy? And there was this kind of shock around the room. This was not a view. I mean, Paul, Paul went, I was horrified, horrified, the idea. I said, you know, aren't markets good?

Paul Johnson

You see, I've progressed more than Ed. He still thinks the same. I've changed my mind.

The Rt Hon Ed Balls

I exposed myself as being New Labour in my first meeting of the Left Caucus and didn't go back that much, actually. I don't think I was a very active Left Caucus member, but you were.

Paul Johnson

I was more active than you were, but our paths diverged.

The Rt Hon Ed Balls

You were much more left-wing than me back then.

Paul Johnson

Yeah, so was Keir Starmer back then. So was Keir Starmer.

The Rt Hon Ed Balls

And then, and then we then we did in our second year, we were taught by Tim Besley. who went on to be on the Monetary Policy Committee of the Bank of England. We'll come to Bank of England Independence in a moment. And then we were taught in our third year by a brilliant guy called Tim Jenkinson. But I think we did together public economics and also economic theory.

Paul Johnson

Yes, as well as the core economics.

The Rt Hon Ed Balls

And I've just walked down, I have to admit, I hadn't been to the Queen's College very many times. And so by mistake, I tried to go into what I thought was Queen's and it turned out to be All Souls, which then brought it all back because we used to We used to have our tutorials in All Souls with Tim Besley, who was a fellow. And every afternoon, apparently, because this happened every time we did our tutorials, there would be steps down the corridor and then running water. And this was the eminent philosopher Derek Parfit, who had a bath every afternoon at 2 o'clock during our tutorial. But we, did you do philosophy of mind? No. I didn't say it anyway, but we both studied a lot of parfit. And then last week I was on Good Morning Britain. Paul, I tried to tell this story to Paul, but it passed him by completely.

Paul Johnson

I've never heard of this.

The Rt Hon Ed Balls

I said we were interviews interviewing Jason Derulo. Do you know Jason Derulo? All the young people in knowledge and all the people are going, what? Quite well known. And he's on a global tour, news thing coming out. He was playing in Britain. But in the interview, we're told Jason Derulo is going to say, you know, this is a year of transition because he's leaving the old Jason Derulo behind and he's going to move on to a new Jason Derulo. And I say, but you're still going to be called Jason Derulo. He says, yeah, I'm still going to sing all the old songs, but it will be a new me. So I said to him, I don't think I said this has ever been said before on breakfast television in Britain, including on Good and Born in Britain, but there is an eminent philosopher called Derek Parfit, who I studied with Paul Johnson. I don't think I said Paul Johnson. Who I studied, who's written a book on personal, on personal identity. And Derek Parfit says, that the way in which personal identity works is that we are a succession of our past and future selves. there is an old self of you when you're 18 and then when you're 30 and the continuity, they're different selves, but they link through time and that is what it is to be a person. So you can be very different for the old you and different from who you're going to be, but it's still you. And he said, that is what I'm talking about. And then afterwards we came off, air and he said to me, who's this guy Parthep? And I said, he's passed away. He said, what's the book? I said, I think it's called Reasons and Persons. And he calls tom-tom, Reasons and Persons. I've got to read this book. So, I mean, surreal or what? Jason Derulo is now studying Derek Parfit, who used to have a bath next to Paul and I 40 years ago.

Paul Johnson

Well, one thing hasn't changed, which was, this is very similar to our tutorials. I didn't get a word in edgeways. And that's certainly not changed. So we actually had a chat together last term at Keble where we were undergraduates. And one of the things that Ed talked about then was the amount that we'd actually learned, that we'd learned from studying economics. So hopefully there are a few. PBS and economists in the audience. But actually, you talk quite a lot about the extent to which what we learned there influenced things that you did later on when you actually had the power to do things.

The Rt Hon Ed Balls

Definitely. And I think, I don't think I realized that at the time. I'm not sure we did at all. But, and I think there was, you have this idea. that you're studying things as an undergraduate and then you might study as a graduate and then you'll go on and the things which matter are the things you're going to learn about kind of later on. But actually, I found that all through the professional life I had in economics, I was continually going back to what we had learned together. I mean, 3 good examples. We the whole debate about time inconsistency and government decision making and whether or not the government can bind itself to do the right thing in monetary policy. And at the time we would have been studying Kidlin and Prescott and Sargent and rational expectations. And I think I thought at the time this bank independence economics idea was quite a right wing thing. And then through the time here and then afterwards realised that actually this was really important. And the work we then did making the Bank of England independence was all based upon what I'd learned here. The same thing was true. We did, in theory, we did optimal currency areas, Mundell, and how you should think about the area which would work for having a single currency and a single economic area and what the characteristics were. And then when it came to the five economic tests for the euro, which we announced in 1997. That was basically the economics you and I had learned. And I said to Gordon Brown, there's five tests, and it's convergence and flexibility, which is essentially optimal currency area stuff. And so, and then the third thing was, you know, we introduced, and we're big on tax credits, minimum wage underpinning tax credits, why a basic income wouldn't work, so you had to find a way to target. All of that was essentially what we learned from Tim Besley in public economics. And so, you know, it's just an important thing to say that when you're studying and you're doing these tutorials and you're writing essays, you don't know where it's going to end up. But I think Tim Jenkinson was quite surprised to know that he was basically responsible for stopping Britain joining the Euro, because if he hadn't been so coherent, about optimal currency areas, I would never have realized that we shouldn't join.

Paul Johnson

I think this is a lesson and a warning to all tutors here that what you say might have really big implications later on if you're fortunate or otherwise to have someone like Ed who goes on to make these decisions. I mean, it is absolutely is, absolutely is true. And, you know, it was, many of you know, my career up to now has been in public economics, which was really very much based on the public economics that we that we studied. But let's move on from us and talk about some of the politics. I mean, very interestingly, what you described there was the preparation that went in before the 1997 Labour government for Bank of England independence and other policies. Interesting drawing a parallel, or the lack of parallel, between that degree of preparation and the preparation that appears not to have gone in for policy under this government.

The Rt Hon Ed Balls

I think that's right. And I think that's partly reflects the scale of the political challenge and in some ways, the scale of Keir Starmer's achievement. Because, you know, when we were here in Oxford, Neil Kinnock had just become leader of the Labour Party. He'd just taken over from Michael Foot, the 1983 general election while we were doing our A-levels, an election which which Labour fought on leaving the European Union. I mean, at the time, people think about the Conservatives as being the US sceptics. It was Labour, which was the anti-European party in 1983, you know, a battle between the Bennite left, which is probably still pretty prevalent in the Oxford Labour Club, and, you know, but you could call it the Corbyn left, if you like.

Paul Johnson

And Corbyn to someone who's certainly not changed his mind on anything since 1983.

The Rt Hon Ed Balls

And was very active with Tony Benn in that period as a young man. And, you know, in that period, Neil Kinnock, through the 87 election when we were here, where he fought a good election, but he's still so burdened by policies that he either can't move on from or doesn't want to move on from. I mean, Labour fought the 87 election, committed to unilateral nuclear disarmament, which was never going to work politically, but that was like a Corbyn or Ben hangover. And then you then get to the 92 election where Kinnock loses again, And then Tony Blair takes over. So Kinnick is a transitional figure over what is essentially 9 years, and then Tony Blair another five years. Keir Starmer, from being in Jeremy Corbyn's Shadow Cabinet in, you know, in 2019, takes over and wins the Labour leadership. You know, he has to win it through projecting, you know, continuity and change. He wasn't He wasn't Rebecca Long-Bailey, the Corbyn candidate, but nor was he the, you know, the centrist Labour candidate. And so for him to get from there to winning in 2024, I mean, he did in four years what took Neil Kinnock and Tony Blair 14 or 15 years. That was a very difficult thing. But I think they also made a decision that the Conservatives were going to lose this election and that they could essentially run on not being the Conservatives. And therefore, you could essentially win the election with a, compared to Corbyn 2019, a very risk-averse manifesto. Whereas in 1997, you know, after the 92 defeat, it was pretty obvious, I think, you know, after Black Wednesday when we collapsed out of the ERM, the government, the Tory government's economic credibility was shot. Despite the best efforts of Ken Clark, you can never understand it. The Conservatives were never going to win that election. So although Tony Blair and Gordon Brown were very superstitious in 97, I think we thought we were going to win.

Paul Johnson

But I think that's that similar. I mean, in a sense, both in 2024 and in 1997, the Conservatives had imploded so badly that a Labour victory was pretty much inevitable.

The Rt Hon Ed Balls

But I think that we thought harder about what mandate we wanted to get, and also about not boxing ourselves in. So, you know, the Keir Starmer, Rachel Reeves decision to say, you know, we will not raise income tax, National Insurance or VAT, was a disaster and it was.

Paul Johnson

And they have actually increased National Insurance and income tax, but not the rates on individuals.

The Rt Hon Ed Balls

Yeah, and Keir Starmer is the most unpopular Prime Minister in living memory.

Paul Johnson

Yeah, which is pretty much something given we've just had Liz Truss and Boris Johnson, but...

The Rt Hon Ed Balls

Well, Keir Starmer's ratings are now lower. than Liz Truss at her lowest moment.

Paul Johnson

Which is astonishing. I don't, I confess, I don't really understand that.

The Rt Hon Ed Balls

But it's partly, as you said, about breaking promises. The people did not, the ground was not prepared. We were very careful in 1997, you know, not to say, that we weren't going to raise taxes. And we said we wouldn't raise the basic or the top rates of income tax, but certainly nothing about VAT or National Insurance or the tax burden at all. And the pretty clear impression in 2024, the Labour was going to cut the tax burden. And if you remember, Rachel Reeves had opposed the Boris Johnson, Rishi Sunak National Insurance rise for for social care. I mean, in the end, Rishi Sinak and JB Hunt did the U-turn themselves, but the position had been set by Rachel Reeves. So I think they boxed themselves in on tax on the one hand, but more importantly, they didn't prepare the ground for the scale of what was going to come. And the impression which was created was it not being the Conservatives would be enough. And of course, of course it wasn't.

Paul Johnson

I'm sure that's exactly right. I mean, you look back at the, and this is, in a sense, not just about Labour, because the Conservatives were in a very similar boat. The manifesto in 2024 said we will raise taxes and spending by about 8 billion. First budget, spending goes up by 70 billion and taxes by 40 billion. So I mean, the kind of disjunction was just huge.

The Rt Hon Ed Balls

And it wasn't enough. So then they had to come back. a second year and if you remember Rachel Reeves in last autumn's budget, the autumn before last and what 17 months ago saying after my 40 billion tax rises. there will be no need for further increases in taxation and borrowing in the Parliament. And again.

Paul Johnson

And that was just taking a huge gamble because that might have been true, but there was only a 50-50 shot that was going to be true and she just didn't get lucky in the way I think she hoped she would.

The Rt Hon Ed Balls

But I think that the but the other thing which is where mandate comes from is you have to have a diagnosis of the problem and you get a mandate for people understanding and coming with you on why things have gone wrong in order that you can then take the difficult decisions and the difficult path to turn it round. And if you take, I don't know whether you saw, Wes Streeting voluntarily decided to release his WhatsApp messages and emails with Peter Mandelson on Monday night. And one of the things he says to Peter Madelson in his WhatsApp messages last year is no one knows what Labour's for. And another thing he says, you know, there is there's no growth strategy and there's no growth diagnosis. And I think that is also correct. If you're going to take people on a journey through hard decisions, people have to understand why you're doing it and what the destination is. And I don't think that that's what they've ever even really tried and certainly managed to communicate. If I said to you, why does Rachel Reeves think our productivity growth has been so weak for 15 years? Why hasn't the British economy grown? I'm not sure. I mean, I think she would probably say the, she'd say instability with Liz Truss. But that is an insufficient diagnosis.

Paul Johnson

It certainly is. I mean, going back to 1997, I mean, you in a sense, you were quite fortunate in that Ken Clark, with the public finance, is in a much better situation than... than this Labour government has taken over. But just tell us a bit about that transition into, I mean, you've been an advisor, you were out in opposition, you were an advisor, you arrive at the Treasury. How does that work, that sudden transition into government?

The Rt Hon Ed Balls

Well, so it is right to say that Ken Clark, just on your first point, it's right to say that Ken Clark had raised a lot of tax pre the 97 election, although so would Norman Lamont, for which he doesn't get the credit.

Paul Johnson

I mean, I'm sad enough, I've read Norman Lamont's memoirs, they're not the most exciting in the world, but he does say one thing, which is very interesting in there. He says that his pre-1992 election budget, in which he cut taxes, was his worst economically and best politically, because it was never sustainable. And his post-1992 election budget, where he increased taxes, was his best economically and worst politically. And I think, and actually, it was one of the reasons the Conservatives that went on to lose so badly, because he tried to increase VAT on domestic fuel. And I think therein lies one of the big political problems. It's all very well, sort of technocrats like me saying, these are the things you should do. But if they can't be sold politically, they can be really hard.

The Rt Hon Ed Balls

That's right. Although it's not impossible to do it. We'll come to that in a minute on the NHS probably. But the other thing was, I mean, this for people who watch the British economy now, this is such a startling fact. When we came in, the inheritance which we had for the underlying growth of the British economy was 2 1/2% a year. And we made a decision to say, you know, Let's be more cautious. We downgraded our assumption of trend to 2 1/4% a year and got the NAO to audit that. I think at the moment, trend growth rate assumption from the OBR, probably 1%, slightly higher, slightly lower.

Paul Johnson

Slightly higher for the economy as well, about 1 1/2%, but per capita about one, yeah.

The Rt Hon Ed Balls

And the difference between 1 and 2 1/4. It's huge in terms of the ability of the economy to generate resources. Anyway, so we came in in 97, having lost in 1992. Although Tony Blair and Gordon Brown were superstitious, we won this huge majority. I think, and this is another difference between politics today and then, I think that we thought in 1997, you know, this is going to be a two-term government. In fact, it turned out to be a three-term government, but we thought this could be a two-term government and therefore the strategy can be about, getting through two parliaments and with a staging post-election halfway through, which in 2001 was a lot done, a lot more to do. We were under pressure to deliver that point, but the Tories weren't really the races in 2001. So you could just afford to take that kind of long-term view. Our vulnerability, though, was the vulnerability which had dogged every British government since the early 1970s, which is how did you persuade the financial markets, that you were going to be stable in your approach to interest rates and to monetary policy. And that every government had kind of destroyed themselves before, at least undermined themselves before, by trying to find some kind of target to alight upon, whether that was monetary targets with Margaret Thatcher or the ERM with Nigel Lawson, ERM with John Major. And so We'd thought hard about what could you do which would be the alternative to that. Norman Lamont had established an inflation target, but things were still very politicised. And so on the Monday before the general election, Gordon Brown said to me, because we had talked in a sort of cautious way in 1995 about making the Bank of England independent, I'd written a pamphlet for the Fabians in 1992 saying the next Labour government should make the Bank of England independent. My boss at the time at the FT, Martin Wolf, said to me, I think I was probably 25 at the time, he said to me, very good argument, but that will destroy any hope you ever have of being in politics because the Labour Party will never sign up to an independent Bank of England. So it felt quite risky at the time. But the intellectual climate was changing. There'd been some important academic work done by, actually in particular, well, two things. Larry Summers and Alberto Alessino at Harvard saying countries with independent central banks had not paid a price in lost growth or lost growth kind of volatility. It wasn't the case an independent bank had to be more more deflationary. And then secondly, there'd been a paper done by Stan Fisher and Guy Debell in 1994, which said, you don't have to just make them independent. What you can do is go for the opposite of the Maastricht Treaty, the European model, go for what they called instrument independence, which is that The government still sets the inflation target. The government still owns the objective for policy, but you hand over the monthly decision to meet that objective to the independent central bank rather than with the ECB or the Federal Reserve kind of handing the whole caboodle over to them and saying, you just decide everything, the target included. So that's what we had been thinking about. And on the Monday before the election, Gordon Brown said to me in the flat we were staying in, He said, if we're going to do this, I just think we have to do it immediately. I think Ard assumed that we would do this in the first few months, but I think he had worked out that if he went into his first meeting with the governor of the Bank of England, and we didn't know what would happen, but if the governor of the Bank of England had demanded something more than we wanted, let's say Gordon Brown had gone in thinking he was going to do a quarter point rise in interest rates, that was the expectation at the time, and the governor had said, no, it should be a half, that from that moment on, we would always be sort of slightly on the defensive, that we'd bottled it, we made them independent because we couldn't face the big decisions, didn't want to be in that sort of political dynamic. As it happened, we also didn't want to be in a position, this may be ironic to some of you who know the history, but Gordon didn't really want to be in a position where he might have arguments with Tony Blair. And so, and having arguments with Tony Blair about interest rates in the early months, we didn't want. And so on the Thursday, He spoke to Tony Blair and said, we're going to make the bank independent. When we arrived on the Friday, out of the blue, I'd been meeting with the Treasury for a year. They knew what we were going to do on the windfall tax, on corporate tax reform, on the whole sort of New Deal jobs programme. This was the one bit which was too sensitive to talk about. And we handed to the permanent Secretary, a letter which we said we wanted to send to the governor that weekend to move at the beginning of the next week on bank independence. Terry was quite taken aback, but you know, fine, that's what we're going to do with the new government. And they found a young civil servant who worked in that area, who stayed up all night to work on the policy work, to check this letter stood up, who was called Tom Scholar, who went on to be later the permanent secretary that Liz Truss sacked from the Treasury in 2023. And on the Saturday morning, we went up to see Tony Blair in his, he was still in his flat in Islington. He hadn't moved into Downing Street yet. And so this was I think me and Gordon Brown were the first people ever to sit on the sofa for Tony Blair's sofa government. And so we sat on the sofa with Tony on the other one and they talked about some personnel things. And then Tony said, so on the bank, are we all okay? And Gordon said, yeah, we're going to bring the press conference until Tuesday. I'm seeing the governor tomorrow and we'll make them independent. And the Treasury civil servant, who was called Moira Wallace, at that point said, Prime Minister, I really must interject. She'd clearly been wound up by Terry Burns and the Cabinet Secretary as well. And she said, you know, this is a decision of great magnitude. It must be considered by the Cabinet. We really ought to have position papers prepared, you know, a series of meetings before the final decision is taken.

Paul Johnson

Sounds like governing body.

The Rt Hon Ed Balls

Yeah. And Tony Blair said, well, he said, did Gordon, is it fine? And Gordon said, Yeah, and he said to me, Ed, we've done the work. He said, No, that's right. That was it. I mean, that was the collective discussion which occurred.

Paul Johnson

And then, Yeah, they call this cabinet government.

The Rt Hon Ed Balls

On the day, well, we had a big majority. I mean, the guys were in charge. And on the day we did it, Gordon spoke to Lauren Lamont, Ken Clark, and Nigel Lawson, because I think he thought it was quite important to bind in past chances. I'm not sure the rest of the cabinet found out about it until it was announced. The interest Interesting thing though about bank independence is one of the things you learn about politics is that you have most decisions are contested and the Tories voted against bank independence in the legislation in 1998. Most decisions are controversial and they're contested and politics is about deciding to take that risk and to be judged on the output of that decision. But the only things which last are the things which become consensual, the things which become accepted. And if you have a big reform in our political system and then you lose an election and the other side ditch it, then that's the end. And the interesting thing about the national minimum wage, that was the most contested policy of the 97 election. By the time you got to the Conservatives in 2010, George Osborne was boasting about raising the national minimum wage. And with bank independence, it went from being contested in that first period to becoming consensual. And actually, the inflation target, a nine-member committee, 4 appointed by the Chancellor, that structure is the same as in the letter in 1997. So sometimes things things last and work.

Paul Johnson

That is an institution that has stayed, as you say, very, very similar through that whole period. You mentioned there that, winning the 2001 election was, the Tories were nowhere to be seen. Just an advert, we're going to have the loser of that election here in Michaelmas term, William Hague, who will be sitting in Ed's seat. So you'll get information about that later on. You talked about You talked about the sort of, you hinted at the relationship between Gordon Brown and Tony Blair. That relationship between prime ministers and chancellors is always crucial. There are so many stories about that relationship. That was such a central part of that government, you were very closely involved. And to some extent, I think it's one of the tragedies of recent politics that the two seem to struggle so hard to get on with one another, although they were not so different politically. So relatively briefly, what's your take on that relationship?

The Rt Hon Ed Balls

I have a bit of a revisionist view. And When you say tragically, I mean, Labour was in government for 13 years and during which time they had two prime ministers. Since 2015, they've had rather a lot. Rather a lot more, I can't count them, yes. Prime Minister, there was a global financial crisis, which we could come back to. But look, the reality is, the relation between the Chancellor and the Prime Minister is different depending upon the wider nature of the political parliamentary environment. So if you have a hung parliament, like in 2010, where you essentially have every decision has to be negotiated with your coalition partner, but in that situation, the Chancellor and the Prime Minister have to be working closely together because they're going to deal with these Liberal Democrats, as it was then. When you have a large majority, it's different. Because in our system, the Prime Minister has a lot of power when there is a big majority, a lot of patronage, but the Chancellor's job is to make sure the Prime Minister makes the good calls, not bad calls. And I think there is a sweet spot which is about cooperation and challenge. So if you take a bad example, Margaret Thatcher and Nigel Lawson, in the end, although they have a big majority, they fall out fundamentally over the direction of economic policy. And it becomes personal, but it's a massive argument. And it ends up destroying Nigel Lawson and destroying Margaret Thatcher at the end of her prime ministership. It pushes us into the ERM, which turns out to be a catastrophe for economic policy. That's a bad outcome. On the other hand, I think chances and promises can be too close. So if you take the the George Osborne-David Cameron relationship. What do we know? We know that George Osborne as Chancellor, in the end, deferred to David Cameron. And one of the things which is kind of well-documented, well-discussed, I've discussed this often with George Osborne, is that, you know, in 2011, I went through with Ed Miliband the voting lobbies, with David Cameron and George Osborne voting against a backbench bill to require a referendum on Britain's membership of the European Union. We all thought it was a bad idea. David Cameron then decides for political reasons, the only way for him to hold the Conservative Party together is to have a referendum. He is told by Michael Gove and by George Osborne in terms, this is a catastrophic decision, it won't work, it will destroy the government, But he ignores them. And George Osborne just carries on. And I think in retrospect, that's a bad call. I think they had more power than they realised. Then moved to Blair and Brown. They were ideologically, actually close. Their personal friendship was deep. Even when you go through to the autumn of 2006 when Tony, I was in the room with Gordon in his flat actually, when Tony Blair is on his way to make the school where he announces he's going to stand down. He rings Gordon to discuss the words and the two of them are on the phone for half an hour working out how Tony Blair should do this in the way which is best for Tony Blair. And listening to them, that could be the same as the Tony Blair and Gordon Brown of 1985 or 1990. Actually, in that period, they were always closer than people thought. But they also, there was also challenge. And sometimes the challenge was quite brutal. I mean, Tony Blair says he wanted to join the Euro, as it happens. I don't think he actually did. We can discuss that if you like. But there is, but Gordon Brown, unlike George Osborne, basically says, no, not while I'm Chancellor and we don't join. And that was hugely important. decision. I remember being in the number 11 early on in the government. Gordon came out of a meeting with Tony, just the two of them, and said, I've just been talking to Tony, and it was a day before the budget, two days before the budget. He says, why don't we just abolish capital gains tax and inheritance tax? It'd be really popular. And I said, well, what did you say to him? And he said, well, I said, I'd get back to him. I said, Gordon, honestly, this would be a catastrophe. It would cost us billions. The avoidance is a total nightmare. And he says, you're right, you're right. I've got to go back in. He goes back in and says, Tony, we can't do that. We're sorry. It's a bit sort of tense, but that was fine because in the end.

Paul Johnson

I think this might be a slight sanitised version.

The Rt Hon Ed Balls

No, Now, what is true, if you take something like foundation hospitals, which is one of the big debates, Alan Milburn, the House Secretary, kept telling the newspapers that he was going to allow hospitals, foundation hospitals, high performing hospitals to borrow off budget. That would be their freedom and flexibility. It was a completely crazy idea because in the end, the Treasury and the taxpayer, it was a free at the point of view service, it was all guaranteed by the taxpayer. So we just kept saying no, that's a bad reform, not a good reform. We finally got into the meeting with Gordon Brown, Tony Blair, Alan Milburn. Alan makes his case. And Tony Blair then turns to Gordon and says, I mean, he said, do you think it's a good idea? And Gordon said, I think it's a really bad idea. And Tony Blair said, we can't let these hospitals just borrow whatever they want. And Gordon said, I agree. And he said, fine. And that was how it got decided. And Puel and Milburn went out thinking, you know, Tony Blair's supposed to be on my side. But actually, when it came to the crunch, Blair and Brown agreed. Now, what is true is that, you know, Gordon not becoming Prime Minister or leader in 1994 and Tony taking over was like a searing moment for Gordon Brown, not what he expected, it was really hard. And then as Tony's premiership went on and it became more clear that Tony was not going to stay on forever, If you like, we can discuss whether there was a deal, but put that to one side. By the time you get to the summer of 2004, there's an expectation Tony Blair's going to stand down. And so what is going on is essentially, you know, a nascent leadership contest between Gordon Brown and potential rivals. And the potential rivals were people around Tony Blair. And what happened was, you know, that leadership election was essentially being fought out in real time, in public, before Tony Blair stood down. Now, I think that you are right, that Gordon Brown and Tony Blair should have shut that down, but they didn't. And the other thing, which is a very interesting thing, in our politics, you really need to be a good government. You need the opposition to be good. If the opposition is good and strong, it forces unity on the governing side, and it forces you to think hard about decisions. At that time, the leader of the Conservatives was Ian Duncan Smith. I mean, he was a catastrophe.

Paul Johnson

Many of you young people may never have heard of him.

The Rt Hon Ed Balls

He was useless. He was so weak. And therefore, you know, in politics, it's like, you know, there is usually a prism in politics through which you see events. And what you want is the prison to be, the choice.

Paul Johnson

Well, we could, we could.

The Rt Hon Ed Balls

The prison was the Blair Brown choice rather than the Labour Conservative choice. And that is why so much of the government became about the TBGBs, the Blair Brown. But actually, but I'll go back to my big point. Should Tony Blair, Gordon and Brown have agreed on everything? Definitely not. Constitutionally, that's not right. It's not what you want. Do you should you do it in a united and comradely way? Of course you should. You don't want to be Margaret Thatcher, Nigel Lawson, actually, nor do you want to be George Osman, David Cameron.

Paul Johnson

Let's bring it on. I mean, I'd love to spend the, you know, the next long period talking about that period, but let's bring it up to date. It's interesting.

The Rt Hon Ed Balls

You thought we shouldn't join the Euro, didn't you?

Paul Johnson

I did, yes.

The Rt Hon Ed Balls

Because of. Exactly, because of what we learned.

Paul Johnson

And we did think about it after that, too.

The Rt Hon Ed Balls

But do you think bank independence was the right thing? Yes. Yeah. By that point, you'd moved on from your kind of...

Paul Johnson

I had, absolutely. See, I learned more than Ed.

The Rt Hon Ed Balls

What did you think of the... Well, now you just had a bigger journey to go on.

Paul Johnson

Well, that's the same thing, really.

The Rt Hon Ed Balls

What about the National Insurance Rise for the Health Service? Did you agree with that?

Paul Johnson

Well, that was... So this is a long time ago. I want to bring us up to date, actually. So they all want to know what you think.

The Rt Hon Ed Balls

They're not born about me.

Paul Johnson

They're more interested in the present, I think, which is 2 things you said which are very striking about the present. I mean, the one is you said one of the problems was that there was a sort of nascent leadership election between Brown and people around Blair whilst Blair was Prime Minister. Kind of looks like that at the moment, doesn't it? I mean, in a sense, there's a sort of nascent leadership election around Starmer without actually a leadership election.

The Rt Hon Ed Balls

Yes, that is true. And it is, it's actually startling, isn't it? I mean, they have a huge majority and they've been in power for 18 months. But over those 18 months, Keir Starmer is onto his third chief of staff. He's about to get onto his 4th head of communication. He's had at least three relaunches. He's done his big, bold reshuffle. I mean, neither Tony Blair or David Cameron did anything like that reshuffle in the first parliament of their government. And despite that, he has the lowest poll ratings of any prime minister in living memory. Now, it is true, this environment is very hard. and people feel very squeezed. And it is true, I think, that on the international agenda, he's been successful. But on the domestic agenda, there is this real sense of, you know, nobody knows where we're going, what the direction is, what are labour values, how are they being translated into policy? Are you going to stick with what you say? And instead, there has just been this whole series of debilitating U-turns and a parliamentary party which is very rebellious. So if you go back to 8 days ago, I mean, this is an amazing moment. This is last Wednesday in the House of Commons. The opposition, after Prime Minister's questions, are doing what's called a humble address, which is a way in which they can require documents to be released to Parliament. In the priorities questions beforehand, which are dominated by Peter Mandelson, Keir Starmer says, he confirmed to Kemi Badenop that he knew about Peter Mandelson's later contact with Epstein after Epstein had been convicted of child sex offences. And although I think the media knew that, it was him saying that to his own side was quite shocking. And as a consequence, the humble address motion says that the government's going to have to release every document, every WhatsApp message, every e-mail with Peter Mandelson by any minister or advisor in the entire period from the general election to now. I mean, it's huge. and incredibly controversial and difficult because, if you are the British ambassador to Washington, every communication that the foreign secretary has, say, with any, on any big foreign policy issue, you will copy the ambassador in Washington because they're safe. So all of those are to be released. And Keir Starmer says, subject to a national security check, which, the Cabinet Secretary, number 10, that we will operate. And the Conservatives have said, we don't trust you to do that. Angela Reyner, the former Deputy Prime Minister, stands up and says, essentially, we don't trust you to do that. It becomes clear that Labour backbenchers are going to vote with the Conservatives unless that decision making is taken away from number 10 and the Prime Minister and given to an independent parliamentary committee, the Security Committee. I mean, in that moment, the Labour backbenchers in Parliament are saying to the Prime Minister, who's just told them, that he chose Peter Mandelson, even though he knew about the Epstein relationship, that we do not trust you to be transparent with us about what actually went on. I mean, that's an astonishing moment.

Paul Johnson

You've lost Parliament at that point. Totally.

The Rt Hon Ed Balls

Yes, I mean, it's quite staggering and that hasn't changed. And you know, it's really, it's, if you like, we can talk about Monday and Tuesday, but you know, yesterday you saw it again in in Parliament. One of the former communications directors, Matthew Doyle, who was elevated, having lost his job with Keir Starmer, got sacked by Keir Starmer.

Paul Johnson

This is what the House of Lords is for, people who lose their jobs.

The Rt Hon Ed Balls

Exactly. He got sacked by Keir Starmer to be elevated to the House of Lords. That actually happened in January. It turns out that he was actively campaigning for a political figure who had been at the time charged and was subsequently convicted of child sex offences. And this was known to number 10 and Keir Starmer at the point they put him into the Lord's, they took the whip away from him two days ago. And once again, a week on, all the Labour backbenchers are sitting there thinking, Does this happen every week?

Paul Johnson

Before we, I mean, we should open up to questions in a minute. Before we do so, I want to look at the other side of this. I mean, you said one of the things is you need a strong opposition. We're in a very odd place at the moment, aren't we, where the official opposition does not look strong, and yet the opposition in the country in a way that was not true in the 2000s seems almost overwhelming. And I mean, what's your take on this move from Conservative to Reform or even from Labour to Green? I mean, this is going to change. Is your view that come the next election, it'll go back to something much more like our normal two-horse race? Or do you think we are going to have this four, five-party system come the next election?

The Rt Hon Ed Balls

So I think, first of all, there is like a deep problem at the moment that very many people feel as though things are not working in a way which works for them. and that they're not feeling as though they are getting better off. They feel as though they're worse off, they're under pressure. And there is a doubt about whether politics can sort that out. And so the fact that we've had the Brexit vote and then what happened with Boris Johnson and then Liz Truss and then the Tory defeat in 24 and the collapse of Keir Starmer's polling is all a reflection of that that underlying sense amongst many people that things aren't working and they're not trusting politics to make things better. And in those worlds, the populist outsider who says it's the failure of the system, you know, they're all the same. They have salience. And that salience at the moment in our politics comes left and right from the Greens and Polanski, who are polling well to the left. You can't trust these centrist Labour people, but also from the right with Nigel Farage. And the second thing about our political system, which I think is a big problem at the moment, is that other countries have, with versions of proportional representation, Their coalition making happens after elections. This is what you see in Germany, in the Netherlands, or in different ways in France, or they do it in a slightly different way, which is that different parties garner their support, and then they then come together and form a coalition. In our political system, in our first-past-the-post system, we have the same coalition process But the coalition process happens within the parties rather than between them.

Paul Johnson

Has historically anyway.

The Rt Hon Ed Balls

Has historically. And so Labour to govern has to be a united coalition of the intelligentsia and the working class, Conservatives of business, city, the rural interests.

Paul Johnson

It was interesting what you said about the sort of a coalition government, the sort of Lib Dems and Tories having to work together. I mean, the truth is that there's at least, if not bigger, difference between left and right of the Labour Party, left and right of the Conservative parties, there is between there would have been between Lib Dems and many of the Conservatives.

The Rt Hon Ed Balls

Well, I'm going to say there's a biggest difference. There's a bigger difference between the left of the Liberal Democrats and the right of the Liberal Democrats.

Paul Johnson

That's also true.

The Rt Hon Ed Balls

Than any party, because they are, in a way, the most kind of extreme.

Paul Johnson

Coming on to this issue of the sort of, you know, but I.

The Rt Hon Ed Balls

Think, but if those coalitions fracture or become unrepresentative, then politics gets really bad. And there's two different things. So, if you take the first of all, the Labour coalition fractured over Europe and Britain's destiny. The same thing happened on the Conservative side, but there's a deeper fracturing than that on the Conservative side and the Labour side. The George Osborne, David Cameron sort of kind of global, outward-looking, open economy the people that Theresa May called citizens of nowhere, that is sort of anathema to the more nationalist right of the Conservative Party. And Boris Johnson's great skill was to manage to be both at the same time. But the second thing is, so if your coalition is fracturing, that makes life hard anyway. And Keir Starmer's great achievement was to reunite that coalition to win in 2024. The

Conservatives haven't managed to do that. But the second thing is, your coalition representative? Because to win, you have to win not your party members who choose your leader or choose your candidates. You have to win with the voters and the voters including the voters who decide the election, the voters in the centre ground. And I think both parties at the moment really struggle to be representative and that is particularly a problem for the Conservatives At the moment, the average age of Conservative Party members will now be over 80, or certainly late 70s, very small. And what that membership does is just drags the Conservative Party over towards the Farage style position, which is just a long way away from very many Conservative There are no Conservative.

Paul Johnson

MPs in Oxfordshire for that reason.

The Rt Hon Ed Balls

That's true. And many of them ended up voting Liberal Democrat. And the Liberal Democrats come second in very many Conservative seats and very many Labour seats because they are essentially displacing the Conservatives by winning those votes. So Kemi Badenock, I mean, one, she has to be relevant. And she's actually done brilliantly well in the last few months on the Mandelson issue by being relevant. I mean, if Keir Starmer falls over this issue and all these emails and messages are still to come out, Were he to fall, it would be Kemi Bednock who's done that rather than Nigel Farage.

Paul Johnson

Nigel Farage who benefits quite better.

The Rt Hon Ed Balls

Well, he might do. But I think in politics, leadership matters. And if you look at in the polling, those of you who are kind of interested in these things, if you look at the forced choice, if you look at all of the public and say, you've got to choose between these two people to be the Prime Minister, Kemi Bednock comfortably beats Nigel Farage now. And Keir Starmer still beats Nigel Farage now. So if you get to the point before the election where there's a choice, Nigel Farage doesn't necessarily win that vote. But her problem is, you know, when you've got Robert Jenrick and others defecting over and when they are leeching members and representation and at a time when, you know, it's easy to vote reform, votes over to the right, she vacates the centre ground. And it's very hard, I think, for the Conservatives to win if they look like they've gone to the extreme. I mean, she doesn't want to be fighting Nigel Farage for that terrain. She needs to be here, but all the pressures on her are to go over and to try and position herself to stop defection, but that undermines her. So Her big challenge, if you think about the great achievement of Tony Blair or David Cameron, it was to pull their parties back into a more centre-ground winning position while uniting the coalition. You've got to do both at the same time. And if your party is not representative, the coalition's fracturing and you've been pulled to an extreme, it's very, very hard. So it's still not impossible that Labour wins the next election because The Tories and reform end up fighting over there and neither and if Farage does well but not well enough.

Paul Johnson

Labour could win on a very small fraction of the vote.

The Rt Hon Ed Balls

Which is what happened in 2024, actually.

Paul Johnson

I mean, an even smaller fraction. Let's say a really warm thank you to Ed.