

Rishi Sunak is not an economic miracle worker: heâ€¦...

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I posted this in Twitter last night having noticed praise being posted for Rishi Sunak. That praise contrasted his performance in this crisis to that of all his colleagues:

<https://twitter.com/RichardJMurphy/status/1266494667694182412>

I believe Sunak is at least as much a disaster as his colleagues. Let's ignore the obvious fact that he's stood by Cummings. And that he's defended schools reopening [when it seems very likely](#) that this will push the reinfection rate above 1, and so start exponential spread of the virus again.

Instead, let's just note that he's arguing that businesses can reopen when the risk of that also contributing to an exponential increase in the spread of the virus is very high.

And let's also note that he's announced that without telling many businesses when, or even if, they can reopen that they must now bear around 40% of the cost of their furloughed staff, when NIC and pension payments are taken into account, when as yet they have literally no means to do so. As a result he is guaranteeing that millions of people will now be made unemployed. In the process he is undermining the benefits from the entire furlough programme to date, which was meant to ensure staff would still be available when businesses did return to work.

Then let's note why he's done this. It's because he's worried about the cost to the Treasury.

And then let's note what that cost is.

He thinks it will be a record so-called government deficit, of round £300bn.

But then note that of this sum £200bn has already been covered by quantitative easing: that is, the Bank of England injecting new money in to the economy to buy back the debt that the government has issued and so cancel it.

The suggestion that the Bank of England will keep doing quantitative easing is very

strong: the Monetary Policy Committee's members have given the [strongest possible hints](#) that this will happen.

In that case the nearest round number approximation to the cost of the supposed government deficit that this spending will create is zero.

Nothing.

Zilch.

Not a penny.

And the nearest, similar, round number approximation to the increase in the supposed government deficit that this spending will create is also zero.

Nothing.

Zilch.

Not a penny more.

That is because government borrowing that is subject to quantitative easing is cancelled. The debt in the form of government bonds, issued by the Treasury, is repurchased by the Bank of England. It does so using money it creates for the purpose.

That money that is used is not what is called (incorrectly) 'taxpayer money'.

It's money that the Bank of England creates for this purpose by lending it to a subsidiary that it has specially created called Bank of England Asset Purchase Facility Fund Limited.

That subsidiary does, as all borrowers do to their bank, promise to repay the debt. And as a result the Bank of England credited its account with the funds to buy the government's debt. And the Bank of England then has an asset in the form of the promise to pay that underpins the loan account.

But, all these transactions are actually in the government's own books. So in practice they all net out to zero over all. But the money has been created to pay for the government's spending, nonetheless.

In which case the reason for panicking over the cost of furlough is not real: there is no real increase in the deficit.

But there is going to be a massive increase in unemployment.

And all of that is because the government refuses to state its real borrowing figures net of QE.

And that's all because they pretend that the debt subject to QE will sold back into markets one day, which would literally not now be possible: there's just too much of it.

But because Sunak still wants to play this banker's game - that the government is in debt and in hock to the markets when it's not - millions of people will suffer.

That's not competence. That is gross indifference to real people's plight in pursuit of mistaken ideology. And that's most certainly not a sign of economic competence.