

## Funding the Future

# Sunak is claiming he is the grown up in the room. It ma...

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I referred to the resignation of the [government's commissioner for education catch up yesterday](#).

I suggested that the government really does not care about children. Nor, come to that, does it really have a 'levelling up' agenda. And nor does it have a long term vision, which is what this policy required.

And all that is, I suggest, is for one reason. And that is that the 'Treasury view' of the economy is beginning to take hold in the government. Tom Newton-Dunn, once of The Sun and now of Times Radio (and so close to the government, even if not a journalists I much like) had this to say on Twitter and I think it very revealing:



**Tom Newton Dunn** @tnewtondunn · 9h ...  
A thread. What was the root cause of Sir Kevan Collins' resignation? A furious row with the Treasury on money as well as timing, which he (and it would also appear, the Prime Minister, for once) lost, Govt insiders tell me. The Collins catch up plan asked for three things (1)

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1 more reply

**Tom Newton Dunn** @tnewtondunn · 9h ...  
But the Chancellor argued 1. the evidence it works is "pretty thin" so far, 2. unclear it has buy in from teachers/parents, 3. no means to pay for it. Sunak instead pushed the decision into the Autumn, for more work and for it to be paid for in the Govt-wide Spending Review (3)

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**Tom Newton Dunn** @tnewtondunn · 9h ...  
HMT insisted the door was not closed on longer school hours, if the Chx's 3 conditions are met. But the stalling effectively delays any hours increase by at least 6 months if not the full academic year. Collins believes this is precious time that cannot be lost, so he walked (4)

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**Tom Newton Dunn** @tnewtondunn · 9h ...  
There is a wider political significance in the row. The PM once named education catch up as his biggest priority in office. But the Chx has forced him to wait for it, and potentially some time. Suggests Sunak is starting to win the battle to reimpose fiscal responsibility (5)

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**Tom Newton Dunn** @tnewtondunn · 9h ...  
Sunak's allies point to a v precarious fiscal position for HMG, already sitting on £2.2tn of debt to service, if inflation continues to rise and pushes up interest rates. "Nobody bats an eyelid at £15bn in a covid world, but someone has to be the adult in the room", says one (6)

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**Tom Newton Dunn** @tnewtondunn · 9h ...  
Another long unencouraged question is if the Spending Review does

In effect, the message being sent out to him from the Treasury could not be clearer. They think that austerity is now required. The days of spending, come what may, are over. The debt paranoia is coming to the forefront again. And the maxim that government spending must be matched by tax revenue is to be promoted once more. What is more, they believe that the debt is £2.2 trillion. They are still pretending that £800 billion of quantitative easing has not happened.

The result is that come the autumn spending review the government is going to be saying that choices have to be made in the interests of securing a balanced budget. People, it will say, can still have health care, but at cost to education. And greening the economy will come with a price tag of cuts to social care attached. And the reason will be that the cost of servicing - and repaying - government debt must now have precedence.

The claim is that because of the risk of increasing interest rates there will be a need to cut borrowing. The trade-off, it will be claimed is direct. And that, we know is wrong.

As [I showed yesterday](#), in real terms the government borrowed less than £20bn last year. That is staggeringly low when total spend was more than £1.1 trillion.

And regarding QE funding, this cancels the interest charge on the government debt that the government repurchases. So 40% of the claimed cost is simply returned to the Treasury, straight away.

What is more, there is literally no requirement at all for any interest to be paid on the balances the UK's banks hold with the government as a result. I will blog on this last point again, later today.

And with regard to the remaining gilt interest costs, our borrowing is fixed rate and on average for 14 years: there will be almost no impact on government interest costs if rates do rise as a result.

And interest rates are, in any case, entirely under the government's control,. The pretence that the Bank of England sets them is just a charade: they have to do what the Treasury wants at the end of the day or the Chancellor has the power to overrule them.

So what is going on here? It's dogma, of course. There is no debt issue. There is no interest cost issue. There is no reason to cut the size of the government. There is just a desire to do so.

Sunak wants to claim he is the grown-up in the room. It may be more appropriate to call him the economic sadist in the room, because that is what this is going to look like. It will look as if the Tories are going to punish people for Covid. And that is unforgivable.

If you want to know more about why, I suggest 'Money for nothing and my Tweets for

free', which is my new ebook.

## Money for nothing and my Tweets for free



Richard Murphy

The book [can be downloaded, free, from here.](#)