

# Sunak's planning a fiscal rule, and they always end i...

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As the [FT notes](#) this morning, Rishi Sunak is planning a new fiscal rule.

It will commit him to stop borrowing to fund day-to-day spending within three years. And it will require underlying debt to start falling by 2024-25. Why these two things? Because the Treasury thinks that interest rate rises will cripple government finances.

Eight thoughts follow.

First, such rules have never worked.

Second, they always deliver austerity, because that is their real purpose.

Third, interest rates are under government control, and will remain so.

Fourth, in particular, the rate paid on central bank reserve accounts can be any figure the government decides and most certainly need not be base rate and there is nothing the banks who hold such accounts can do about it, so the paranoia on this issue is wholly unjustified.

Fifth, the Treasury has much bigger issues to worry about if rates rise. It's not the state's finances that will topple, it will be the private sectors that will - and no rule of the type Sunak proposes will work in that case.

Sixth, there is a way to prevent the short term inflation which is fuelling rate rise fears right now. It is rejoining the single market, and ideally the EU. That would ease the shortages our economy faces which are forcing short term prices up.

Seventh, a dose of understanding of modern monetary theory would at this moment help the Treasury no end. It is apparent that they still think we are on the gold standard.

Eighth, worry, because it is apparent that the economy is going to be headed for particularly rough times if Sunak gets his way.