

# Sunak sets the Tories on a path of sacred infighting, a...

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I have [already commented](#) on Rishi Sunak's speech to the virtual Conservative Party conference yesterday, but feel it appropriate to do so again.

The speech contained, at its core, the claim that the Conservative Party has a 'sacred duty;' to ensure that the public finances of the UK be constrained, and that the books be kept in balance. To [this it was added that](#):

*If instead we argue there is no limit on what we can spend, that we can simply borrow our way out of any hole, what is the point in us?*

It would seem that there has rarely been such a blunt definition of what it is that divides political philosophies than this.

And note that the divisions are within the Conservative Party too.

Sunak must know that what he is really saying is that he will be raising taxes, because he can be under no illusion on spending. That is going to increase. When the Tories have already admitted that there will be 4 million unemployed he knows tax yields at existing rates are falling and that government spending will increase to cover the cost of universal credit payments. There is nothing he can do to stop that, unless people are to literally be told they have no support at all. And so what this speech was saying was that tax rises are on their way.

The interesting contrast is in what Boris Johnson is expected to say when he addresses the same virtual conference at 11.30 this morning. It is, for example, being widely trailed that he is to announce a £100 billion package for green energy, including major offshore wind investment. This I welcome, of course.

And it's also been trailed that he will announce his intention to deliver tax cuts, because that is what he thinks the country wants to hear from him.

If Johnson just announces green investment he's in conflict with Sunak.

If he announces tax cuts then the usual state of upright hostility between Numbers 10 and 11 Downing Street will be in play. These are directly conflicting policy aims.

Unless, of course, there is a reconciliation. And that is that the rest of the economy, and those who need it to support their incomes so that they might just about survive, are to be laid to waste. The government could try to impose cuts, of course. To what is hard to imagine. To what end is harder still to imagine: literally any cut now will be a move to impose real hardship. That is in the range of possibility, I suspect.

The real issue is that it would seem that these conflicting aims are seemingly irreconcilable. Rishi Sunak cannot deliver a balanced budget and keep Johnson's promises without causing massive hardship. And he cannot deliver his own promise without tax increases that are the antithesis of what the Prime Minister wants. As a result, Tory party conflict looks to be inherent in what Sunak said.

Unless, of course, that 'sacred duty' can somehow be reinterpreted. Faith is, after all, a somewhat flexible thing.

Suppose that, after all, QE can be taken into the book balancing equation. In that case, [as I have shown](#), then the books have already been balanced this year, since not a single additional penny of borrowing from third party sources has been required so far in the 2020/21 fiscal year as quantitative easing has covered all borrowing requirements to date. The Chancellor could, if he so wished, claim this, and meet his sacred obligation.

Or maybe investment is not the same as revenue spending after all. That's true, of course, even if not within the absurd borrowing framework used by the government. So maybe that is a way out.

Or it could just be that the Chancellor is praying for a balanced budget but like St Augustine, when considering the subject of celibacy 'not just yet'.

Alternatively, and most appropriately, someone might just remind Rishi Sunak that his faith is profoundly misplaced, and not sacred after all. It may just be that he can be persuaded that what he thought as sacred was, in fact, just an arbitrary and human-made construct after all. What is more, it is simply wrong.

There is no obligation to balance the books, after all. There is only an obligation to use the power of office for the public good, and that means that the power to create money must be used to deliver full employment for all who want it, at which point it may well be that tax revenues will cover all spending the government desires because for it to do otherwise would be inflationary. So, to create money (and not, I stress, borrow it) would in that case be the sacred duty. And there would be no need to reverse that money creation so long as the public, or at least the private sector, wished to save and so keep those funds with the government, which is what the actual consequence would be as

the sectoral balances would show.

We might even then see a realisation that this is not about 'sacred's issues, or faith at all. It is just about observing how the economy really works and working out how to use the available levers, of which the most powerful by far at present is money creation, to deliver the goals that society has.

Is that too much to ask? In particular, is it too much to ask when this might deliver what the Prime Minister wants, even if he may well be unaware as to how to deliver it? I hope not. And on this occasion, I have to hope No.10 wins. But given the current incumbent's track record, I am not at all sure it will.