

The Tories economic plan is intended to deliver misery...

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I posted [this thread on Twitter](#) this morning:

Sunak and Johnson [said yesterday](#) that the Bank of England has to act to tackle inflation caused by increased demand in the economy post-Covid. But that's nonsense. Demand has still not recovered to pre-Covid levels and is declining now. They have this very wrong. A thread.....

The fact is there's no sign of excess demand in the UK. We might have limped back to pre-Covid levels earlier this year but all indicators now suggest we are heading for recession. The Tories might want to claim otherwise but there is no economic miracle going on right now.

In fact, consumer confidence is at record low levels. We know there is a cost of living crisis for many. And we know that industry is sending out signs of recession. The prices of key raw materials, like copper, are falling fast. This is downturn territory.

So why are Sunak and Johnson claiming otherwise? The only reason can be to support the only policy response they know of to inflation, which is to have the Bank of England increase interest rates.

The Bank has already increased rates from 0.1% to 1.25%. It says they might go much higher. The financial markets thinks we will be seeing rates of over 3% in a year's time. This is a rate not seen since before the financial crash of 2008.

The object of these interest rate rises is crude. It is to force borrowers to cut their spending on goods and services they want because they have to spend more servicing their debts, and most especially their mortgages. It is also intended to reduce discourage investment.

The trouble is that this is the last thing we need to happen in the UK right now. People

are already struggling to pay their bills. They're not spending excessively, as the Bank assumes. They're cutting back on everything they can already to pay fuel bills.

The increase in interest costs for the most vulnerable households makes this worse. And let's be clear that this policy is targeted on the most vulnerable households, which borrowers and renters always are as they have always the smallest budgets available to meet other costs.

So, the families and households most likely to be most under stress in the UK will see their bills for mortgages and rents rise rapidly if the Bank gets its way. All the consequences are bad.

First, some will simply not be able to pay the increased mortgage and rent bills that they face. They will go into default and might eventually lose their homes. We all know that creates social catastrophes.

Second, if the Bank is too tough and many people lose their homes we will have a banking crisis: I think that more rather than less likely. Of course, that will also create a property crisis.

Third, before then, the pressure on household incomes will be so high almost all 'extra' spending will be cut. The knock on effect will be on retail, leisure and hospitality. The Office for Budget Responsibility says one employment will go up by more than 1 million.

I think the OBR is optimistic given the scale of the likely measures the Bank plans. And that also means many business failures. The misery will compound.

Fourth, add on to that the fact that the interest rate increases do under current Bank of England rules mean that the Bank will have to pay maybe £30 billion more in interest to commercial banks each year on the money they were gifted by the government during the Covid era.

Sunak will respond to that by trying to cut government spending. They have already said they want to get rid of 25% of civil servants - which will make the recession to come very much worse.

What Johnson and Sunak are cooking up in that case is the most almighty worst possible case scenario for the UK economy - where everything they do will be intended to make outcomes dire.

Is this necessary? Of course not. First, we need no interest rate rises. They are completely counter-productive right now because they are designed to tackle a problem that does not in any way exist within our economy right now.

Second, the inflation problem can be tackled by actually cutting the prices of oil, gas and energy by reducing the tax takes on them - which might together go up by £30

billion this year, giving Sunak ill-gotten gains.

Third, precisely because we are heading for recession, come what may because people's confidence is shattered, the government needs to be spending more and not less - and can do so at any time it wants using quantitative easing - which did not produce inflation from 2009 to 2021.

The Tories have an economic plan for the UK, but it is one intended to deliver misery, disruption, chaos, and shattered lives, whilst making bankers very much richer. That is all there is to their plan. We have to do better than that. Getting rid of them is stage one.

But Labour has to show it understands the problems we face. Can Keir Starmer and Rachel Reeves step up to the mark? Time will tell.