



## City Research Online

### City, University of London Institutional Repository

---

**Citation:** Nesvetailova, A. (2017). Politics, capital and the City: London's financial reign in the face of internal and external shifts. *Economy and Society*, 46(2), pp. 153-158. doi: 10.1080/03085147.2017.1359910

This is the accepted version of the paper.

This version of the publication may differ from the final published version.

---

**Permanent repository link:** <https://openaccess.city.ac.uk/id/eprint/18441/>

**Link to published version:** <https://doi.org/10.1080/03085147.2017.1359910>

**Copyright:** City Research Online aims to make research outputs of City, University of London available to a wider audience. Copyright and Moral Rights remain with the author(s) and/or copyright holders. URLs from City Research Online may be freely distributed and linked to.

**Reuse:** Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

---

---

---

City Research Online:

<http://openaccess.city.ac.uk/>

[publications@city.ac.uk](mailto:publications@city.ac.uk)

---

# PROOF COVER SHEET

---

Author(s): Anastasia Nesvetailova

Article Title: Politics, capital and the City: London's financial reign in the face of internal and external shifts

Article No: RESO1359910

Enclosures: 1) Query sheet  
2) Article proofs

---

Dear Author,

**1. Please check these proofs carefully.** It is the responsibility of the corresponding author to check these and approve or amend them. A second proof is not normally provided. Taylor & Francis cannot be held responsible for uncorrected errors, even if introduced during the production process. Once your corrections have been added to the article, it will be considered ready for publication.

Please limit changes at this stage to the correction of errors. You should not make trivial changes, improve prose style, add new material, or delete existing material at this stage. You may be charged if your corrections are excessive (we would not expect corrections to exceed 30 changes).

For detailed guidance on how to check your proofs, please paste this address into a new browser window: <http://journalauthors.tandf.co.uk/production/checkingproofs.asp>

Your PDF proof file has been enabled so that you can comment on the proof directly using Adobe Acrobat. If you wish to do this, please save the file to your hard disk first. For further information on marking corrections using Acrobat, please paste this address into a new browser window: <http://journalauthors.tandf.co.uk/production/acrobat.asp>

---

**2. Please review the table of contributors below and confirm that the first and last names are structured correctly and that the authors are listed in the correct order of contribution.** This check is to ensure that your name will appear correctly online and when the article is indexed.

Sequence	Prefix	Given name(s)	Surname	Suffix
1		Anastasia	Nesvetailova	

Queries are marked in the margins of the proofs, and you can also click the hyperlinks below.

## AUTHOR QUERIES

### General points:

1. **Permissions:** You have warranted that you have secured the necessary written permission from the appropriate copyright owner for the reproduction of any text, illustration, or other material in your article. Please see <http://journalauthors.tandf.co.uk/permissions/usingThirdPartyMaterial.asp>.
2. **Third-party content:** If there is third-party content in your article, please check that the rightsholder details for re-use are shown correctly.
3. **Affiliation:** The corresponding author is responsible for ensuring that address and email details are correct for all the co-authors. Affiliations given in the article should be the affiliation at the time the research was conducted. Please see <http://journalauthors.tandf.co.uk/preparation/writing.asp>.
4. **Funding:** Was your research for this article funded by a funding agency? If so, please insert ‘This work was supported by <insert the name of the funding agency in full>’, followed by the grant number in square brackets ‘[grant number xxxx]’.
5. **Supplemental data and underlying research materials:** Do you wish to include the location of the underlying research materials (e.g. data, samples or models) for your article? If so, please insert this sentence before the reference section: ‘The underlying research materials for this article can be accessed at <full link>/ description of location [author to complete]’. If your article includes supplemental data, the link will also be provided in this paragraph. See <<http://journalauthors.tandf.co.uk/preparation/multimedia.asp>> for further explanation of supplemental data and underlying research materials.
6. The **CrossRef database** ([www.crossref.org/](http://www.crossref.org/)) has been used to validate the references. Changes resulting from mismatches are tracked in **red** font.

QUERY NO.	QUERY DETAILS
<b>AQ1</b>	Please provide missing details for this affiliation.
<b>AQ2</b>	Please provide missing abstract and keywords if required.
<b>AQ3</b>	The reference "Tyler, 2017" is cited in the text but is not listed in the references list. Please either delete in-text citation or provide full reference details following journal style.
<b>AQ4</b>	The reference "Tetlow, 2017" is cited in the text but is not listed in the references list. Please either delete in-text citation or provide full reference details following journal style.
<b>AQ5</b>	The reference "Perring, 2017" is cited in the text but is not listed in the references list. Please either delete in-text citation or provide full reference details following journal style.
<b>AQ6</b>	“Mathiason, 2012”: This reference is not in the list. Please give full details.
<b>AQ7</b>	The reference "CITYPERC, 2017" is cited in the text but is not listed in the references list. Please either delete in-text citation or provide full reference details following journal style.

<b>QUERY NO.</b>	<b>QUERY DETAILS</b>
AQ8	The disclosure statement has been inserted. Please correct if this is inaccurate.
AQ9	Please provide missing city for the reference “Ingham, 1984” references list entry.
AQ10	Please provide missing page range for reference “Moran, 2013” references list entry.

## How to make corrections to your proofs using Adobe Acrobat/Reader

Taylor & Francis offers you a choice of options to help you make corrections to your proofs. Your PDF proof file has been enabled so that you can edit the proof directly using Adobe Acrobat/Reader. This is the simplest and best way for you to ensure that your corrections will be incorporated. If you wish to do this, please follow these instructions:

1. Save the file to your hard disk.
2. Check which version of Adobe Acrobat/Reader you have on your computer. You can do this by clicking on the “Help” tab, and then “About”.

If Adobe Reader is not installed, you can get the latest version free from <http://get.adobe.com/reader/>.

3. If you have Adobe Acrobat/Reader 10 or a later version, click on the “Comment” link at the right-hand side to view the Comments pane.
4. You can then select any text and mark it up for deletion or replacement, or insert new text as needed. Please note that these will clearly be displayed in the Comments pane and secondary annotation is not needed to draw attention to your corrections. If you need to include new sections of text, it is also possible to add a comment to the proofs. To do this, use the Sticky Note tool in the task bar. Please also see our FAQs here: <http://journalauthors.tandf.co.uk/production/index.asp>.
5. Make sure that you save the file when you close the document before uploading it to CATS using the “Upload File” button on the online correction form. If you have more than one file, please zip them together and then upload the zip file.

If you prefer, you can make your corrections using the CATS online correction form.

### Troubleshooting

**Acrobat help:** <http://helpx.adobe.com/acrobat.html>

**Reader help:** <http://helpx.adobe.com/reader.html>

Please note that full user guides for earlier versions of these programs are available from the Adobe Help pages by clicking on the link “Previous versions” under the “Help and tutorials” heading from the relevant link above. Commenting functionality is available from Adobe Reader 8.0 onwards and from Adobe Acrobat 7.0 onwards.

**Firefox users:** Firefox’s inbuilt PDF Viewer is set to the default; please see the following for instructions on how to use this and download the PDF to your hard drive: [http://support.mozilla.org/en-US/kb/view-pdf-files-firefox-without-downloading-them#w\\_using-a-pdf-reader-plugin](http://support.mozilla.org/en-US/kb/view-pdf-files-firefox-without-downloading-them#w_using-a-pdf-reader-plugin)



# Politics, capital and the City: London's financial reign in the face of internal and external shifts

Anastasia Nesvetailova<sup>1</sup>

**AQ2** New York, so the saying goes, is not the real America; Moscow is not the real Russia, and London is not the United Kingdom. In fact, the cities of New York, Moscow and London probably have more in common, between them, than their respective countries. But while many national capitals and megacities today represent only a distilled version of their own country and population, the chasm between London and the rest of the United Kingdom does stand out. This special section of *Economy and Society* tackles the political economy of this disjuncture, focusing on the very foundations of London's competitiveness in global finance (in the contribution by Lysandrou *et al.*), shifts in its internal political scene in the aftermath of the 2007–2009 crisis (as explored by Baker and Wigan) and the current political challenges of Brexit (addressed in the paper by Thompson).

The City of London – London's historical financial district, or the Square Mile – is a peculiar remnant of history. Governed by a special regulatory body, the City of London Corporation, it is a distinct jurisdiction within the United Kingdom, with various concessions awarded to it by monarchs through centuries. Today the City, home to banks and non-bank financial institutions, including more than 250 foreign banks, stretches far beyond the historic Square Mile. It includes global megabanks and financial firms in Canary Wharf,

*Anastasia Nesvetailova, University of London and Director of City Political Economy Research Centre, United Kingdom. Email: a.nesvetailova@city.ac.uk*

as well as the multitude of new financial, service and technological companies that have emerged in different areas around London. Calculated as the sum of all the financial assets owned by banks and non-bank financial companies in the United Kingdom, the size of the UK financial system is £20 trillion, or around 12 times the size of the UK annual GDP. Banks account for £8 trillion of the United Kingdom's financial system (Burrows & Low, 2015, p. 115).

The finance and insurance sector employs more than one million people (or 3.1 per cent of all UK jobs). In 2016, financial and insurance services contributed £124.2 billion in gross value added (GVA) to the UK economy, or 7.2 per cent of the United Kingdom's total GVA. In 2015–2016, the banking sector alone contributed £24.4 billion to UK tax receipts through corporation tax, income tax, national insurance and through the bank levy (Tyler, 2017, p. 3).

**AQ3** In 2017, Office for National Statistics (ONS) data revealed the extent to which the UK public finances depend on London's revenue-generating capacity. Although London benefited from a relatively high level of public spending – £12,686 per person, above the UK-wide average of £11,579 – this was dwarfed by the extra tax revenues generated by the capital in 2015–2016. Revenues in London are estimated to have been £15,756 per person, generating a surplus of £3,070 per head. Apart from the South East and East of the United Kingdom, all other parts of the country receive more in public spending

**AQ4** than they generate in revenue (Tetlow, 2017).

The supremacy of London and its financial hub, with its distinct orientation towards global financial markets and capital, has long been a contentious issue (e.g. Moran, 2013; Pryke, 1991; Thrift & Leyshon, 1992). Yet it was in the wake of the global financial crisis (GFC) of 2007–2009 that the dependence on financial services in London became a particularly acute political issue (see the discussion by Baker and Wigan in this issue). The years of austerity that followed the GFC only aggravated the disparity between London and the rest of the country as real incomes around the country diminished. The outcome of the June 2016 referendum, when 52 per cent of those voting elected to leave the European Union, has been interpreted as a popular protest against globalization, the metropolitan elites and London in particular. And although other factors – including, principally, the policies of austerity – have aggravated the economic conditions for the population since 2009, the City's economic supremacy, centred on finance and related industries, has become a particularly sensitive and divisive issue for politicians, often within the same party. Under Theresa May, the Conservative party put control over sovereignty above national economic and financial interests, much to the dismay of some Tory MPs and the civil service, while Labour's manifesto commitment to put a tax on financial transactions was called 'madness' by London's mayor and former Labour MP,

**AQ5** Sadiq Khan (Perring, 2017).<sup>2</sup>

In many ways, London's success as a global financial centre is a paradox. On the one hand, the City of London has thrived even as the UK economy went through periods of crises, stagnation and recession ever since the end of the British Empire. The apparent contrast between the growing financial centre



and slower rates of growth and productivity in other areas of the United Kingdom seems to fit the academic argument about the deep-rooted disjuncture between finance and production, or the 'financial' and the 'real' economy (e.g. Dore, 2008; Hall, 2013; Webber, 2001). The City of London, it is often argued, with its powerful lobby<sup>3</sup> and historic proximity to power centres in the United Kingdom and elsewhere, has been able to push a political agenda that favours the interests of business over industry, and the interests of finance over labour and society (e.g. Ingham, 1984; Johal *et al.*, 2014).

On the other hand, however, notwithstanding the supremacy of the financial centre in its economy, London today appears to be an outlier on the UK political scene. The 2015 General Election returned more Labour MPs in London than any other region in the United Kingdom; in the June 2016 EU referendum, Londoners voted overwhelmingly to stay in the European Union; in June 2017, Labour won 49 out of 70 parliamentary seats in London, with Labour candidates increasing their majority in some of the wealthiest areas of London traditionally occupied by the Tories.<sup>4</sup>

The three papers collected here tackle some of the core dimensions of the power of the City of London, against the historical context of financial globalization and in light of the present political challenges. Lysandrou, Nesvetailova and Palan analyse the foundations of the peculiar role that London occupies on the global financial map. Although historically London has been a financial hub serving the trade and commerce of the early trading powers (Carruthers, 1999; Germain, 1997; Langley, 2002), the City's competitiveness today is quite distinct from that of specialized regional financial centres like Shanghai, Frankfurt or New York, and very different to the 'niche' strategies pursued by financial havens in offshore jurisdictions. For the past few decades, London's supremacy in finance has been based on its ability to combine economies of scale in the global capital markets with a political strategy of exceptions and targeted regulations in the global regulatory arena. But this reign has not gone unchallenged, and the recent past has presented the City with at least two serious challenges to its dominance in the world financial architecture.

First, the post-2009 financial regulation and consequent public outcry have generated a shift in the internal politics of the City of London. Andrew Baker and Duncan Wigan analyse the post-2009 political terrain of London, observing that since the financial crash of 2008 it has become notably more contested. Focusing on the role of NGOs in the politics of the City of London, the authors demonstrate how macro-narratives and public story-telling both construct and contest City and financial sector power. Their major finding is that, in a new pattern in London's political scene which has emerged since the financial crash, NGOs have moved from campaigns of limited duration and narrow focus to a more sustained presence on macro-structural issues. The authors see a more concerted construction of a global institutional civil society infrastructure in finance (a creation of a global 'financial public sphere') as the means to achieve greater access, resources, scrutiny and oversight over the financial sphere for a range of specialist expert NGOs.

Second, Brexit poses the most serious current threat to London's reign as a global financial centre. Helen Thompson investigates the complex relationship between the City of London and the British government on the one hand, and external political actors on the other. Her major premise is that the long-standing orientation towards offshore services ultimately undermined the capacity and ability of the British political apparatus to protect the interests of the City of London. She argues that the City's offshore position was almost immediately threatened by the 2008 financial crash and the subsequent Eurozone crisis. But with the British political class having long pursued the strategy of opting out of EU regulations, there was no tangible room for renegotiation at the time of Cameron's 2016 referendum gambit. As a result, Thompson argues, the City has been pushed into a very difficult position not only in relation to protecting its offshore euro position, but in its whole relationship to the continental market and its commercial opportunities.

Brexit undoubtedly cast doubts over the continuity of London's reign as a global capital hub: the post-Brexit regulatory politics between the United Kingdom and the European Union remain unclear, and major financial institutions and functions face the prospect of being relocated to continental Europe. Some on the political right downplay the risks associated with such moves, suggesting that – led by London's financial centre – the United Kingdom can thrive as a deregulated haven post-Brexit, replicating a Singapore model of a liberalized market or moving closer towards a Swiss model of financial capitalism based on bank secrecy. Those on the left, on the contrary, suggest that a diminished size and power of the City of London may play a beneficial role in the UK economy, with Brexit serving as a trigger towards a wider rebalancing of the economy away from finance and towards manufacturing.

As this issue goes to press, the contours of the ultimate form of Brexit remain vague, and serious dialogue between the City and Westminster is only beginning in earnest. However, it appears that the prospect of a rebalancing of the UK economy post-Brexit, away from finance and towards the 'real economy', is unlikely to materialize. Indeed, the shift of some financial activities away from London to other parts of Europe is most likely to fragment, but not diminish, the financial sector and its political power. Similarly, a possible departure of financial institutions from London does not herald a return of manufacturing to deindustrialized areas of the United Kingdom: many manufacturing giants with a sizeable presence in the United Kingdom, like Nestlé or Airbus, are considering relocating jobs to Europe if the United Kingdom leaves the single market. The prospect of a Singapore-style deregulated paradise proposed by some Brexiteers is also a delusion, since even outside the European Union the United Kingdom will have to abide by global rules set by major international players, such as the United States, the European Union, China and international organizations (CITYPERC, 2017).

Whatever the ultimate shape of Brexit therefore, it seems that the United Kingdom's withdrawal from the single market will diminish UK gains from the financial industry, while not necessarily making the sector more accountable

or structurally balanced. In other words, the structural and political problems brought up and encountered by the City over the past few decades are likely to persist in the near future, even if London's position as the premier financial centre in the world is diminished by Brexit.

185

### Disclosure statement

AQ8 No potential conflict of interest was reported by the author.

190

### Notes

1 This special feature was conceived before the referendum on EU membership took place. The authors of the papers published in this special section greatly appreciate the work of Jeremy Green, Anthony Payne and Colin Hay on the original idea to put under scrutiny the role of the City of London in the changing political economy of the United Kingdom and Europe, as well as their encouragement and advice. Brexit has influenced our thinking, and, where possible, we strove to reflect on its political realities and challenges. We are very grateful to the editors of *Economy and Society* for their support and work on this publication.

195

2 Source : <http://www.express.co.uk/news/politics/804694/Labour-financial-transaction-tax-Sadiq-Khan-Jeremy-Corbyn-London>

200

3 In 2011, the UK financial services industry spent more than £92m lobbying politicians and regulators in an 'economic war of attrition' that has secured a string of policy victories. Source: Mathiason, 2012: <https://www.thebureauinvestigates.com/stories/2012-07-09/revealed-the-93m-city-lobby-machine>

205

4 In June 2017, by a margin of 20 votes, a Labour MP won the Kensington and Chelsea seat, the city's richest borough. The constituency had been represented by the Tories ever since its creation in 1974. Source : <http://www.telegraph.co.uk/news/2017/06/09/labour-take-kensington-tories-first-time-since-1974-creation/>

210

### References

Burrows, O. & Low, K. (2015). Mapping the UK financial system. *Quarterly Bulletin* Q2, Bank of England.

215

Carruthers, B. (1999). *City of capital: Politics and markets in the English financial revolution*. Princeton, NJ: Princeton University Press.

220

Dore, R. (2008). Financialization of the global economy. *Industrial and Corporate Change*, 17(6), 1097-1112.

Germain, R. (1997), *The International Organization of Credit*. Cambridge: Cambridge University Press.

225

Hall, S. (2013). Geographies of money and finance III: Financial circuits and the 'real economy'. *Progress in Human Geography*, 37(2), 285-292.

Ingham, G. (1984). *Capitalism divided? The City and industry in British social development*. Macmillan Publishers Limited.

Jhal, S., Moran, M. & Williams, K. (2014). Power, politics and the city of London after the great financial crisis. *Government and Opposition*, 49(3), 400-425.

Langley, P. (2002). *World financial orders*. London: Routledge.

AQ9



**Moran, M. (2013).** Power, policy and the City of London. *Capital and Politics Routledge Library Editions: Political Science*, 44, 49.

**Pryke, M. (1991).** An international city going 'global': Spatial change in the City of London. *Environment and Planning D: Society and Space*, 9(2), 197-222.

**Thrift, N. & Leyshon, A. (1992).** In the wake of money: The City of London and the accumulation of value. In S. Whimster & L. Budd (Eds.), *Global finance and urban living: The case of London* (pp. 282-311). London: Routledge.

**Webber, M. (2001).** Finance and the real economy: Theoretical implications of the financial crisis in Asia. *Geoforum*, 32(1), 1-13.

**Anastasia Nesvetailova** is Professor of IPE at City, University of London and Director of City Political Economy Research Centre.

PROOF ONLY