Twitter Thread by Yet Another Columnist



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@Sime0nStylites

Typically excellent piece from @dsquareddigest The exponential insight is especially neat. Think of it a little like fishing...today you can't export oysters to the EU (because you simply aren't allowed to), tomorrow you don't have a fish exporting business (to the EU).

> London's status as a financial centre isn't as secure as some might think | Dan Davies https://t.co/q9SU7ra4oF
>
> — The Guardian (@guardian) February 13, 2021

The extremely small minority of people who known anything about this who think that Brexit will be good for the City make a number of arguments which I shall address in turn...

1. They need us more than we need them. This is a variant of the German carmakers argument. And we know how that went...Business will follow the profit opportunity and if that has moved then so will the business...

And what do we mean by us / we. We're not talking about massed ranks of Euro investing / trading etc blue blooded British institutions.

Au contraire. We're talking about the London based subs of US, Asian and indeed European capital markets players...As soon as they think the profit opportunity has moved then so will they...it's a market innit...

2. The Europeans will never act in a way that might be economically sub optimal.

I refer you to Brexit. But kidding aside, the balance between economic optimality and, to coin a phrase, taking back control is not at all straightforward.

I bet a bazillion notional shillings that many people might consider the benefits of taking back control over a vital national function far far far outweigh an additional economic cost.

I refer you to the financial crisis.

3. But but THE EU IS GOING TO FALL APART IT'S ONLY A MATTER OF TIME

Good luck with that.

4. But the U.K. is a speedy fast turning speedboat and the EU is a ponderous sea tanker of weighty regulations.

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The U.K. regulators are extremely tough. Arguably tougher than the EU. I refer you to ring fencing. Or the U.K. conduct regime (very scary). The idea that any of this is going to be materially relaxed is for the birds.

5. Freed from the dead hand of Europe, we shall exploit all sorts of wonderful new opportunities.

Well. Maybe. London has a v substantial scale / incumbency advantage. But ofc (as Dan points out) that does not mean that those new opportunities will necessarily arise in London.

The bottom line is that London ain’t going anywhere any time soon as a leading financial services capital.

BUT. There is no way round the fact that Brexit has impaired London’s competitive position. This is an apple falling, water flowing downhill point.

It’s not a debate.

Over time, the damage will range from significant to really quite bad. The possibility of the latter depends on the EU getting its act together re CMU...if it does (debatable) then watch out...

/ends