Article

Political Studies
1–20
© The Author(s) 2021

Article reuse guidelines:
sagepub.com/journals-permissions
DOI: 10.1177/0032321720985714
journals.sagepub.com/home/psx

From Big Bang to Brexit: The City of London and the Discursive Power of Finance

Scott James[1], Hussein Kassim[2] and Thomas Warren[2]

Abstract

This article aims to generate new insights into the City's influence during the Brexit negotiations. Integrating theories of discursive institutionalism and business power, we set out to analyse the dynamic 'discursive power' of finance. From this perspective, a key source of the City's influence historically has been a powerful strategic discourse about London's role as Europe's leading global financial centre. This was strengthened following the financial crisis to emphasise its contribution to the 'real' economy and emerging regulatory threats from the EU. We argue that Brexit challenges the City's discursive power by removing 'ideational constraints' on acceptable policy discourse, and undermining the 'discursive co-production' of financial power by government and industry. By encouraging financial actors to re-evaluate their interests, this has contributed to increasing discursive fragmentation and incoherence. Evidence for this comes from the City's ambiguous policy preferences on Brexit, and the emergence of a rival pro-Brexit 'discursive coalition'.

Keywords

City of London, financial industry, Brexit, discursive institutionalism

Accepted: 4 December 2020

Introduction

The UK's decision to withdraw from the EU will have far-reaching implications for the UK financial sector in the City of London. The 'City' represents a geographically clustered network of commercial financial trading, advisory and intermediation practices supplying financial services around the world (Baker and Wigan, 2017: 7; Ingham, 1984: 60; Longstreth, 1979: 161; Talani, 2012: 26). While the City has a long history as an international financial centre, many global financial firms today use London as a base from which to provide financial services across Europe through lucrative 'passporting' rights. Hence, the EU accounted for 43.8% of the UK's net financial services exports in 2017,

[1]Department of Political Economy, King's College London.
[2]School of Politics, Philosophy, Language and Communication Studies, University of East Anglia.

Corresponding author:
Scott James, Department of Political Economy, King's College London, London, UK, WC2B 4PX.
Email: scott.james@kcl.ac.uk

constituting 23.6% of total UK service exports to the EU, and contributing £26 billion to the UK trade balance (Ward, 2018). We would therefore expect the financial industry to deploy its formidable lobbying capabilities to persuade the UK government to prioritise retaining EU market access after Brexit.

Yet recent studies offer divergent views on the City's influence since 2016. From a political economy perspective, Thompson (2017) argues that Brexit represents a 'historic defeat' for the City, rooted in a series of regulatory clashes generated by the eurozone crisis and the breakdown of traditional UK statecraft towards Europe. Other scholars point to the weakness of transnational financial lobbying over Brexit, highlighting a 'battle of the systems' as countries compete to lure financial services away from London (Howarth and Qugalia, 2018; Lavery et al., 2019). James and Quaglia (2019, 2020) add that the UK's decision to downgrade the importance of EU market access reflects the City's inability to translate its 'latent' structural power into instrumental influence. This is attributed to several mediating factors, including domestic political statecraft, institutional barriers to access and weak financial sector organisation. By contrast, Kalaitzake (2020) argues that the City has successfully leveraged the 'structural interdependence' of financial markets to secure important commercial protections for the City after Brexit. Similarly, Talani (2019) claims that financial firms have adapted pragmatically to the challenges of Brexit, enabling London to potentially strengthen its hegemonic position.

The article sets out to address this puzzle by generating new insights into the strengths and limits of the City's influence during the Brexit negotiations. Integrating theories of discursive institutionalism (DI; Schmidt, 2008, 2010) and business power (Culpepper, 2012; Lindblom, 1977), we develop a framework for analysing the 'discursive' power of finance. Exploring how financial actors (re)construct power through the development of unifying discursive strategies, around which coalitions of heterogenous financial actors engage in collective action, provides a more dynamic perspective of financial industry influence over time. By applying this to a historical analysis of the City's influence since deregulation in the 1980s, we also aim to identify key conditions for the assertion of discursive financial power.

The discussion below shows how a key source of the City's influence historically has been its capacity to shape policies, political processes and public opinion through interactive processes of discourse. Following financial liberalisation, this power rested on a pervasive discourse about the City as a deregulated financial centre with lucrative access to the EU single market. This narrative served to unify disparate parts of the financial sector and was internalised by successive UK governments, necessitating minimal collective organisation. We argue that this power was challenged by the global financial crisis, leading to a revised discursive strategy emphasising the contribution of finance to the 'real' economy, while opposing new regulatory burdens at the EU level.

Brexit poses a more serious challenge to the City's discursive power for two reasons: first, the UK's withdrawal removes critical *ideational constraints*, expanding the boundaries of acceptable discourse and feasible policy options regarding the City; and second, divisions within the British state about the future relationship have undermined the *discursive co-production* of financial power with policy makers. These factors encouraged financial actors to re-interpret their perceived interests, contributing to a fragmented discursive landscape that undermined the development of a coherent strategic narrative about Brexit. Evidence for this is to be found in the fluid policy preferences of the City's main representative bodies, framed around the ambiguous concept

of 'mutual recognition', and the emergence of a rival 'discursive coalition' favouring a decisive break from EU regulation.

The article begins by reviewing the business power literature on finance, before developing the concept of discursive power. We then detail the City's discursive strategy since deregulation, and assess how it was impacted by the financial crisis. The main section analyses the challenge posed by Brexit in terms of discursive fragmentation and competing coalitions. It concludes by reflecting on the contribution of this discursive power approach to the wider literature. The study is informed by 25 anonymised interviews with financial industry lobbyists and regulators conducted between November 2011 and October 2013, and December 2017 and June 2018.[1]

Business Power and Finance

Theories of business power suggest that the influence of firms derives from two main sources: structural power – that is, the dependency of the state on private firms for investment, employment and tax revenue – and instrumental power – which relates to the lobbying resources and access that business has to policy makers (Lindblom, 1977; Przeworski and Wallerstein, 1998). The concept of structural power is commonly invoked to explain the influence of the City of London within the UK polity. These accounts appeal to the position of finance in the historical development of British capitalism, the critical role of the City in financing Britain's imperial ambitions and the symbiotic relationship between the largest financial institutions and the British state (Ingham, 1984; Longstreth, 1979; Moran, 1991; Talani, 2012). Scholars also point to the financial sector's instrumental power, embedded in close institutional and interpersonal connections between the City, the Treasury and the Bank of England, and capable of shaping the parameters of British economic policy (Baker, 1999; Moran, 1991).

To explain variation in the power of finance over time, recent studies point to the mediating role of key variables. For example, Culpepper (2012) argues that business power is challenged by rising public salience, leading to the escalation of policy from the realm of 'quiet' politics to more formal, politicised arenas. Applying this to the bailout of banks during the financial crisis, Culpepper and Reinke (2014) show how banks capable of leveraging their structural position in the economy typically got a better deal from government – as in the UK. Conversely, Bell and Hindmoor (2014, 2015) show how the power of UK banks was constrained by the enhanced capacity of the state, the increasingly politicised regulatory environment and declining threat perceptions among policy makers. Other studies also point to the importance of institutional 'venue-shifting' in the mobilisation of anti-finance coalitions to push through banking reforms (Howarth and James, 2020).

These explanations are valuable because they help to illuminate the theoretical limits of financial power, and the conditions under which banks 'lose' in battles with policy makers. Empirically, however, they are arguably less effective at explaining the continued influence of Wall Street and the City of London following the financial crisis, particularly in the face of mounting public anger (e.g. James, 2018; Zeigler and Woolley, 2016). They also tend to say little about how or why the financial industry itself may be internally divided, and the role that financial actors play in constructing perceptions of power by interpreting and narrating economic and political crises.

Ideational approaches to financial power help to address this. For example, Engelen et al. (2012) point to the hegemonic power of the financial sector to project 'elite

narratives' about the social contribution of finance – a process they refer to as 'regulatory closure'. Johal et al. (2014) differentiate between four faces of power wielded by the City to protect financial markets from democratic control. They argue that the most recent form of power – a form of governmentality based on learned self-discipline imposed by financial markets ('capillary' power) – was undermined by the financial crisis, forcing the sector to rely on more open forms of lobbying. Other scholars highlight the importance of macro-narratives and public storytelling in constructing and contesting financial sector power. For example, Baker and Wigan (2017) emphasise how the political terrain for the City has become increasingly contested, crowded and 'noisier' as new civil society campaigns have emerged since 2008 to challenge the financial lobby.

These studies represent an important step forward, but they tend to emphasise the ideational continuity of financial power over time. How or why ideas, narratives and discourse about financial power vary or decline remains somewhat under-specified. This approach has also thus far not been applied to the City of London in the context of Brexit. The next section builds on this ideational perspective by drawing on theories of DI to analyse the 'discursive power' of finance.

Discursive Power

DI is concerned with the substantive content of ideas and the interactive processes of discourse in institutional contexts (Carstensen and Schmidt, 2016; Schmidt, 2008, 2010, 2017) DI has become an increasingly popular framework for understanding the preferences, strategies and normative orientations of actors, and their use of ideational constructs, narratives and 'stories' in facilitating or constraining policy change (Béland and Cox, 2016; Campbell, 2004; Carstensen, 2011; Fitch-Roy et al., 2020). As the 'fourth' new institutionalism, actors' agency is exercised through their 'background ideational abilities', which permit action within the constraints of a particular institutional context, and their 'foreground discursive abilities', that enable them to think outside the institutional context and to communicate critically to change or maintain them (Schmidt, 2008: 314, 2017). From this perspective, actors' interests and preferences are not simply 'objective', fixed and materially determined; rather, they are also 'subjective' because they must be continually (re)interpreted and (re)constructed through ideational lenses by 'sentient' agents to make them actionable (Blyth, 2002; Jabko, 2006).

A growing literature shows how ideas and discourse can be used by strategic actors to assert influence in the policy process (Béland et al. 2016; Campbell, 2004). Carstensen and Schmidt (2016: 321) define power *through* ideas as the capacity of actors to persuade others of the cognitive validity (i.e. the ability to make coherent and consistent arguments linking policy problems with solutions) and/or normative value (demonstrating the appropriateness of an argument to a given community) of their worldview. From this agency-oriented perspective, ideas and power intersect through discourse: the process by which actors interact and ideas are generated, deliberated and legitimated. This can take two forms: 'coordinative' discourse among direct participants in the policy process, or 'communicative' discourse that links the policy process to the wider public (Schmidt, 2008: 310–311). Strategic actors use discourse to shape the policy agenda by developing discursive strategies, defined as the manipulation of ideas and their perception through arguing, persuasion and 'framing' (Carstensen, 2011; Fitch-Roy et al., 2020). These strategies serve to mobilise actors by creating new forms of meaning, identities and beliefs; constructing alliances of disparate actors around unifying narratives or 'stories'; and maintaining or (re)shaping institutions through discursive action (Fligstein, 2001: 106).

Béland and Cox (2016) show how ideas shape power relations as 'coalition magnets', defined as the capacity of an idea to appeal to a diversity of individuals and groups and to be used strategically by policy entrepreneurs to frame interests, mobilise supporters and build coalitions. For example, discourse can lead disparate actors to reformulate and align their interests and preferences through the construction of a common enemy or challenge, the redefinition of a policy problem and/or the promotion of shared values, norms and identity. An important quality of discourse for coalition building is its ambiguous or 'polysemic' nature (Palier, 2005): disseminating ideas that are broad and vague, and can thus be interpreted in different ways, are more likely to appeal to a greater number of constituencies with heterogenous preferences. The resulting 'discursive coalitions' constitute loosely interconnected networks of actors that engage in collective action around unifying ideas and discursive strategies which define their (perceived) shared interests (Fitch-Roy et al., 2020; Hajer, 1993).

Integrating insights from DI with theories of business power helps to unpack the interactive processes through which financial power is (re)constructed over time. This dynamic perspective highlights how heterogenous financial actors are able to wield collective influence by forging coalitions around powerful discursive strategies. Applying this approach to the historic role of the City of London makes it possible to identify key conditions for the effective assertion of 'discursive power' and shed new light on the sector's influence since Brexit.

The Pre-Crisis Discursive Power of the City

For most of the City's history, the influence of financial interests in the UK was embedded in closed, informal institutional networks between the City of London, Treasury and Bank of England (the 'Bank-Treasury-City nexus'), ensuring that the sector's interests were directly represented at the heart of government (Baker, 1999). This system of 'club governance' was fundamentally challenged by the 'Big Bang' deregulation of 1986, leading to an influx of foreign firms – particularly US investment banks – which had no institutional ties to the British state (Moran, 1991, 2009).

The reforms led to the transformation of the financial sector from one dominated by older, institutional trade associations (in banking an insurance) to one driven by products and markets (such as securities and derivatives). The outcome was a highly fragmented pattern of business organisation, described as a 'spontaneous order' of more than 50 separate associations characterised by competition for members and a duplication of resources (Lascelles and Boleat, 2002). The influence of the municipal body for the Square Mile, the Corporation of London, was also undermined by the dominance of global firms which sought to represent their own interests, and a lack of specialist knowledge to engage with increasingly complex financial regulation.

The collective influence of the City of London following deregulation therefore did not rely on institutionalised forms of organisation. Instead, it rested in large part on the dissemination of cognitive and normative arguments about the importance of the 'City' as Europe's leading global financial centre. This discursive strategy interpreted the Big Bang reforms as part of a longer post-war revival in the City's fortunes that had begun with the development of the lucrative Eurodollar markets in the 1960s (Green, 2016). The City was now discursively constructed as a competitive 'light touch' regulatory regime with privileged access to the new EU single market project. The sector was also reconstituted as being integral to the development of Britain's new post-industrial political

economy (Johal et al., 2014: 412), capable of attracting investment from global financial firms eager to use London as their European base (Coates and Hay, 2001). These ideas generated a powerful unifying coordinative discourse through which disparate financial actors could (re)interpret their interests, coalescing around a shared set of cognitive preferences and normative values. They also enabled firms, trade associations and government ministers to co-produce a powerful communicative discourse to justify the City's privileged status in policy terms, and the high financial rewards that it generated, to the wider public.

With discursive power, the City did not need to engage in political battles. As a lobbyist confessed, the sector's 'success' lies in not 'playing politics'.[2] Its limited collective capacity was interpreted as a symbol of strength, precisely because it did not have to engage in the sort of open lobbying characteristic of other economic sectors. The origins of the Big Bang came from government pressure to unwind restrictive practices by the London Stock Exchange, in response to concerted lobbying by industry for an exemption (Moran, 1991). But the broad thrust of the reforms reflected the internalisation of powerful ideas and narratives among policy makers about the benefits of economic liberalisation and financial market deregulation (Baker and Wigan, 2017). Financialisation of the UK economy was thus first and foremost an ideological project driven by key ministers in the Thatcher Government, and senior officials in the Bank of England and Department of Trade and Industry (Hopkin and Shaw, 2016: 354). Important ideational support also came from groups closely associated with, and funded by, the City: such as the Institute of Directors and neo-liberal think tanks, like the Adam Smith Institute, Centre for Policy Studies and the Institute for Economic Affairs (IEA).

The success of this strategy meant that by the late 1990s, the City's discourse enjoyed strong cross-party support. Hence, one of the new Labour government's first acts in 1997 was to enshrine a new light touch regulatory regime by creating the Financial Services Authority (FSA). New quasi-corporatist bodies were also established to facilitate the dissemination of the discourse to a domestic and external audience. In 2001, 'International Financial Services London' was launched to strengthen the City's voice in Europe, while a new Financial Services Global Competitiveness Group combined representatives from the Corporation, Treasury and FSA. In 2006, they were augmented by a high-level group on financial services, established by Chancellor Gordon Brown, on which ministers and senior executives discussed proposals for enhancing the City's competitiveness. The government also funded a new City-based think tank, the International Centre for Financial Regulation (ICFR), with a view to shaping global and EU regulatory developments.

As a loose agglomeration of international firms and markets, the (re)construction of the City's strategic discourse after 1986 was limited to broad principles, such as ensuring a competitive regulatory environment, and values related to promoting financial market integration across Europe. This unifying discourse was highly polysemic: that is, sufficiently broad and ambiguous to enable heterogeneous financial actors to coalesce around perceived shared interests. But the real success of the strategy, and the ultimate source of the City's discursive power, was the internalisation and co-production of these powerful narratives within government.

The City's Post-Crisis Discursive Strategy

The rapid expansion and highly leveraged nature of the UK banking system in the decade prior to 2008 meant that the City of London was on the front line of the global financial

crisis. It heralded the end of light touch regulation and the imposition of stringent new capital rules, structural reforms and prudential supervision to make banks more resilient and resolvable (for an overview, see Howarth and James, 2020). Yet this did little to quell mounting public anger about the bank bailouts and subsequent trading scandals. The financial crisis challenged, but did not fundamentally undermine, the prevailing discourse about the importance of City as Europe's leading global financial centre. But the reputational damage inflicted on the sector threatened to curtail its influence because lobbyists had little scope to fight 'increasingly politicised battles' with regulators.[3]

In response, the City set out to develop a revised strategic discourse framed by two key arguments: first, the contribution of financial services to the 'real economy' at home, and second, defending the international competitiveness of the City from new regulatory burdens, particularly from the EU. Integral to this strategy was the re-construction of value-based arguments about the financial sector's 'private' interests around the broader 'public' interest. This sought to frame the financial industry as a valuable contributor to UK economic growth, emphasising the detrimental implications of tougher UK and EU banking regulation for the 'real economy', 'ordinary businesses' and 'households'.[4] These normative claims were supported by cognitive arguments as firms and associations invested heavily in generating more and better quality data and analysis estimating the economic cost of new regulations.[5] For example, in 2010, the main banks briefly joined forces to support a pan-industry lobbying campaign against higher capital requirements (the so-called 'Project Oak' initiative), culminating in a report from the consultancy, Oliver Wyman, which estimated the cost at £12–15bn.[6]

The City's revised discourse was codified at the height of the crisis in two high-profile industry reports, both of which received explicit political backing. The first report was commissioned in 2008 by London Mayor Boris Johnson from a group headed by Bob Wigley, European chair of Merrill Lynch, to review the City's international competitiveness. The 'Wigley Report' extolled the economic contribution of financial services and identified a range of 'threats' to the City's 'supportive tax, legal and regulatory context', notably the increasing burden of 'ill-conceived or unduly restrictive' EU regulation (Wigley, 2008). It also called for a 'single, powerful, properly resourced financial services representation board' to promote the City at home and overseas. The second report, commissioned by the Treasury, was from a working group co-chaired by former Citigroup chairman, Sir Win Bischoff, and then Chancellor, Alastair Darling. The 'Bischoff Report' called for government and industry to work closer together to encourage an 'informed public debate' about the value of financial services, to defend the 'stable, sustainable and competitive' regulatory environment and to support the UK's role in shaping post-crisis international and EU regulation (Bischoff, 2009). The influence of these reports was reflected in the fact that key discursive arguments were later repeated in the Labour government's White Paper on 'Reforming Financial Markets' in July 2009 (Engelen et al., 2012: 180).

By articulating a powerful unifying narrative, framed around the identification of common regulatory threats, the City's discursive strategy entailed a partial reinterpretation of the perceived shared interests of key financial actors, particularly towards the EU. To encourage the sector to work together more effectively, two new government-backed bodies were established in 2010. This included a new and better-resourced promotional body, The CityUK, to restore public trust in the industry, and the International Regulatory Strategy Group, which included officials from key departments as 'observers', to identify and respond to emerging 'threats' linked to new international and EU

regulatory developments. As Baker and Wigan (2017: 9) argue, while the City's relations with the Bank of England became increasingly strained due to its regulatory activism, The CityUK represented an attempt to formalise and strengthen City–Treasury relations. Hence, the importance of these new institutions did not lay in strengthening the instrumental power of the financial industry, as most lobbying was left to individual firms and associations (see James, 2018).[7] Instead, their main value was in co-producing and disseminating a new post-crisis discourse aimed at shaping the new Coalition government's thinking on financial regulation – and particularly to push back against prominent voices (notably, Bank of England Governor Mervyn King and Liberal Democrat Business Secretary, Vince Cable) calling for the largest banks to be broken up.

Evidence of the City's renewed discursive power within government is notable in two respects. First, the government sought to protect the sector's international competitiveness from new banking reforms. Hence, although Chancellor George Osborne endorsed the recommendations of an independent commission to impose new restrictions on the speculative activities of retail banks, the Treasury granted several concessions that lessened the impact on individual institutions (see James, 2018). Second, the government developed a more muscular approach to defending the City's interests in Brussels. In addition to pushing back against broad swathes of new EU regulation (covering hedge funds and derivatives trading), Prime Minister Cameron threatened to block agreement on the EU Fiscal Compact in December 2011 unless the UK was given a national veto over future EU financial regulation (Schelkle, 2016). Just 2 years later, the government pledged to renegotiate the terms of the UK's membership to secure important new safeguards for the City of London, and to hold an in/out referendum.

These interventions were initially welcomed by the City because they reinforced the status quo relationship between the UK and the EU. This position was overwhelmingly supported by most of the financial industry as essential to protecting London's status as Europe's premier financial centre, as set out in its submission to the government's Balance of Competences Review (The CityUK, 2014). But they also revealed the limitations of the City's post-crisis discursive strategy. By echoing the City's demands for special treatment from Brussels, the government inadvertently politicised financial regulation, exposed the undue influence wielded by the sector and irrevocably damaged relations with the EU. Ominously, senior City figures were also deeply concerned about the forces that a referendum might unleash. Although some US investment banks and hedge funds contributed to the campaigns, most firms and associations remained 'assiduously' neutral during the referendum.[8] As one lobbyist noted, 'we were aware that the industry is one of the least trusted industries. So if financial services backs Remain, it is not necessarily helpful'.[9] Instead, The CityUK focused on developing cognitive arguments targeted at key politicians, quantifying the damage to economic growth and employment from the loss of EU market access (The CityUK, 2016a).

Brexit and Discursive Fragmentation

We argue that the outcome of the EU referendum fundamentally weakened the discursive power of the City in two ways. First, by removing key *ideational constraints* within which discursive actors operate – namely, EU membership – Brexit kicked away a key pillar of the financial industry's discursive strategy. Prior to the referendum, arguments about the contribution of the City to the UK economy, and the threat posed to its competitiveness by increasing (EU) regulation, had kept a lid on divisions by (re)constructing the sector's

shared interests. But with the option of continued EU membership now ruled out, financial actors began to re-evaluate and re-interpret their interests and preferences regarding post-Brexit arrangements, generating perceived conflicts of interest. Second, divisions within the British state over the future UK–EU relationship undermined the *discursive co-production* of financial power with policy makers. In particular, Brexit weakened the institutionalised processes of interaction with the Bank of England and the Treasury through which the discursive power of finance was traditionally ‘co-produced’.

These two factors contributed to an increasingly fragmented discursive landscape, manifested in two ways. First, the policy preferences formulated by the City’s main lobby groups were ambiguous (as they try to reconcile the divergent ‘interests’ of different groups) and highly fluid (as those ‘interests’ are subject to reinterpretation over time). Second, attempts to formulate a new discursive strategy around the concept of ‘mutual recognition’ were challenged by the emergence of a rival ‘discursive coalition’ which reconstructed the City as a hyper-globalised financial centre, necessitating a decisive break from EU regulation. As a result, the City struggled to forge a coherent and effective discursive strategy, both in terms of cognitive validity or normative acceptability. The following section develops our argument.

In the weeks that followed the referendum, the main associations scrambled to formulate a position aimed at limiting the damage for the City of London from Brexit. In a series of reports published in autumn 2016, The CityUK (2016a, 2016b) called for an arrangement that would preserve ‘access to the Single Market on terms that resemble as closely as possible the access the UK currently enjoys’. Through to the end of 2016, financial groups lobbied frenetically for the government to negotiate a ‘passporting’ deal to guarantee single market access.[10] Although political backing for a ‘soft’ Brexit diminished in the late 2016, tacit support from prominent Conservative MPs – including Boris Johnson – provided the industry with ‘cover’ to stick with the strategy.[11] In January 2017, however, Prime Minister Theresa May ruled out continued membership of the EU single market. Moreover, the Bank of England Governor, Mark Carney, indicated that he could not support an EEA-style arrangement that would leave UK regulators as permanent ‘rule-takers’ from Brussels (Carney, 2017a).

These pronouncements only served to heighten uncertainty about the government’s position, compounding the discursive challenge facing lobby groups. While it was ‘relatively easy’ to get industry members to agree to ‘key concepts, objectives and general principles’, trade associations found it ‘incredibly difficult’ to find any agreement on the detail of what post-Brexit trading arrangements might look like.[12] One senior lobbyist described the situation as a classic ‘prisoner’s dilemma’ as associations struggled to prevent different parts of the financial sector competing for influence. Another suggested that trying to forge a common position was like ‘walking a tightrope’ because ‘strategically you have to hedge your bets’ about the outcome, rendering it almost impossible to ‘speak with one voice’.[13] Instead, the City’s initial discursive strategy was to ‘construct a narrative to convince people’ about the risks of Brexit, focused on two key messages: first, the dangers of ‘cliff edge’ withdrawal, necessitating a long transition period, and second, the importance of retaining ‘market access’, supported by quantitative evidence. These were framed around a series of ‘real economy’ case studies, designed to convey an ‘end user narrative’, and compiled into a ‘key concepts document’ for industry chief executives, to try to ensure that a coherent message was presented to ministers.[14]

When the negotiations commenced in March 2017, this strategy became unsustainable. As John McFarlane, chairman of Barclays and The CityUK, complained, ‘The main issue for the industry started when Article 50 was triggered without a clear way forward with the EU’.[15] After considerable internal debate, the City authorities decided to drop their demand for full passporting rights in favour of a ‘base level’ of market access.[16] The City authorities eventually settled on a new ‘idea and narrative’ framed as a ‘bespoke’ agreement for financial services: this would provide ‘mutual market access’ based on the ‘mutual recognition’ of regulatory regimes, and close cooperation between supervisory authorities (see IRSG, 2017a, 2017b). The Mutual Recognition Model, developed by law firm Hogan Lovells, would be conditional on the UK and EU maintaining ‘broad alignment’ of regulatory outcomes, either to existing international standards or to ‘outcome-based criteria’ defined in a free trade agreement, overseen by a joint UK–EU regulatory forum.

The new discursive strategy was highly polysemic. The concept of mutual recognition was deliberately broad and ambiguous, representing a lowest common denominator position around which different financial groups could agree. As a senior industry figure involved in developing the strategy put it, ‘There is a lot of nomenclative inexactitude . . . A lot of people don’t know what passporting means, so there is a lot of misuse of terminology . . . Firms and organisations are using different language for the same thing’.[17] Tellingly, it was defined more clearly in terms of what it was not: namely, the EU’s existing third-country ‘equivalence’ regime, whereby firms located in non-EU countries can access the single market provided that home regulation is deemed equivalent to EU rules. Equivalence was criticised as a wholly inadequate basis for future UK–EU trade because it provided an insecure basis for market access, and excluded a wide range of financial services (IRSG, 2017a). The City’s adoption of mutual recognition was therefore a ‘tactical decision’ to resist pressure from ‘outliers in the industry pushing for equivalence’.[18] It was also designed to ‘fit with the [government’s] narrative of a bespoke deal and aligning rules where it suits the UK, and diverging when it does not’.[19]

The strategy of mutual recognition served to reconcile the preferences of different financial groups, forced to re-evaluate their interests in the context of Brexit. Broadly speaking, two main groups can be distinguished. The first, dominated by global commercial and investment banks, was the most vocal in seeking to maintain as close a relationship with the EU as possible. Using London as a base to conduct cross-border financial services across the EU, these banks pushed strongly for the retention of full passporting rights.[20] US investment banks lobbied for the UK to commit to maintaining full regulatory alignment with the EU after withdrawal, while HSBC quietly made the case for the UK joining the EEA. As one lobbyist commented, large global banks were relaxed about the idea of the UK being a rule taker: ‘We can live with it; we should just accept it’.[21] When that option was ruled out, US banks were pivotal in persuading The CityUK to back a bespoke deal based on mutual recognition. By contrast, European banks with a large presence in the City tended to remain on the sidelines, for fear of offending their home governments (Lavery et al., 2019).[22]

A second group – composed of UK retail banks and the largest firms in the investment fund and insurance sectors – also sought to minimise the economic disruption from Brexit, but for different reasons. These financial actors were less concerned about maintaining full regulatory alignment in return for market access. UK retail banks were primarily concerned about domestic customers, strongly preferred being regulated from London than Brussels and potentially stood to gain from reduced competition from EU

banks.[23] Brexit was therefore viewed as ‘a headwind, not an existential challenge’, leading them to offer only muted support for mutual recognition.[24] By contrast, large investment funds were heavily reliant on cross-border trade. But their lesser reliance on passporting led them to adopt a more pragmatic approach: ‘As an industry, we haven’t said this is a disaster for us because there are ways in which our industry can, on a very technical level, overcome obstacles without access to the single market’.[25] In particular, asset managers were more concerned to preserve ‘delegation’ rights, enabling EU-based funds to be actively managed from London, while the insurance sector prioritised contract continuity and ‘re-papering’. Unlike the banks, however, they deliberately sought to play down both issues to avoid them becoming politicised.[26]

The concept of mutual recognition enabled The CityUK to paper over these cracks, at least for a time. To support the dissemination of this discursive strategy, a new European Financial Services Chairman’s Advisory Committee (EFSCAC), chaired by Baroness Shriti Vadera, Chair of Santander UK, was established. Representing the interests of 12 senior industry executives, the committee was intended to provide more effective strategic direction and high-level coordination for the sector. Yet these efforts were soon hampered by collective action problems as different lobby groups began to compete to set the agenda. In view of the perceived over-representation of banks, for example, smaller firms and lobby groups complained about being sidelined from the Brexit discussions.[27] Moreover, global commercial banks were irritated about being excluded from meetings with government ministers, while US investment banks preferred to lobby government directly rather than through EFSCAC.

The discursive strategy was also challenged by the City’s deteriorating relationship with government. Throughout 2017, industry leaders complained that No. 10 and the new Brexit Department (Department for Exiting the European Union (DExEU)) were largely ‘impenetrable’ to lobbying as access was deliberately closed down (James and Quaglia, 2019). Moreover, the traditional institutional ‘nexus’ was weakened by the perceived downgrading of the Treasury under Philip Hammond, while relations with the Bank of England were strained by its insistence on retaining regulatory discretion after Brexit (James and Quaglia, 2019). This led to mounting disquiet within the industry about how the City’s interaction with the UK government was undermining its discursive credibility. One lobbyist criticised the City authorities for being ‘too quick to accept the line that the government feeds them’, rendering financial groups ‘an irrelevance to an extent’.[28] Another alluded to the risk of discursive ‘capture’ by government:

> One thing we have to constantly challenge ourselves with is whether we are just being captured by the UK government . . . It didn’t take long for the financial sector to end up singing to the same tune . . . We stopped advocating single market membership when the government told us to stop . . . and now everybody wants a bespoke deal . . . The industry’s been too keen to just parrot what the government wanted us to say.[29]

The EU’s repeated refusal to countenance a bespoke deal for finance exacerbated these tensions. The CityUK initially refused to change strategy because of the political steer from the Prime Minister, Chancellor and Bank Governor, all of whom had publicly endorsed the Mutual Recognition Model by early 2018. As one industry figure noted, ‘We were holding the line because the Treasury said hold the line’.[30] Yet senior bank executives grew increasingly frustrated that the ambiguity of mutual recognition left it open to attack: hence, EU negotiators dismissed it as ‘cherry-picking’, while prominent Brexiteers

viewed it as ‘passporting in another guise’.[31] This led them to open a dialogue with senior Treasury officials to explore alternative strategies aimed at securing a more minimalist trade agreement. Several banks – including Royal Bank of Scotland (RBS), Santander, and Morgan Stanley – also quietly signalled their support for strengthening the EU’s existing third-country regime.

The discursive coalition forged by the City authorities around mutual recognition, and briefly endorsed by the government, proved short lived. Speculation that the Treasury was about to abandon mutual recognition led to an increasingly ‘poisonous’ relationship with the Bank, fearful that the alternative of equivalence would threaten regulators’ autonomy.[32] In June 2018, the Treasury made the ‘tactical decision’ to drop mutual recognition because ‘we weren’t going to get any mileage’ out of it. Instead, the government’s July 2018 White Paper used even more ambiguous language, calling for a looser ‘economic and regulatory arrangement’ based on ‘equivalent outcomes’, leaving (financial) services without ‘the current level of access’ to EU markets (UK Government, 2018).

The response of the City authorities was one of shock and disappointment. The CityUK said that it was ‘regrettable and frustrating that [mutual recognition] has been dropped before even making it to the negotiating table’, while Catherine McGuiness, head of policy at the City of London Corporation, described the prospect of equivalence as a ‘real blow’ to the financial sector.[33] Yet in the months that followed, the City authorities came to re-evaluate their preferences once again, and reluctantly accepted that the future trading relationship for financial services would be based on some form of equivalence.

Further evidence of discursive fragmentation in the City comes from the emergence of a rival pro-Brexit discursive coalition, estimated to represent the views of around a third of the financial sector.[34] What unified this coalition was the vague idea of the City as a lightly regulated, hyper-globalised financial centre which views EU financial regulation as a constraint on the City’s competitiveness, and welcomes the prospect of future regulatory divergence from Brussels. This discourse emphasises the long history of the City, seeing EU membership as a temporary aberration:

> The City has been here for centuries and is successful. That’s nothing to do with the EU. The EU has actually acted as a dampener . . . the City has lost competitiveness over the last five years because of EU law making.[35]

It also constructs post-crisis regulatory tensions as rooted in the irreconcilability of the UK’s common law and EU civil law traditions. As a leading exponent argued, this led the EU to ‘write an impermeable panoply of rules that removes national discretion . . . and tries to regulate every detail’.[36] Finally, the discourse is bullish on the City’s prospects as an increasingly global-oriented financial centre outside the EU, asserting that in the absence of an acceptable deal, the UK can go it alone like a ‘super-Singapore’.

The coalition attracted significant support from sections of the non-banking sector, including alternative investment funds, hedge funds, private equity firms and venture capitalists, as well as the financial legal profession. Many viewed Brexit as an opportunity to roll back post-crisis EU regulation in these sectors, notably the Alternative Investment Fund Managers Directive and the Solvency II Directive, and to exploit new trading opportunities with emerging markets in Asia.[37] Nonetheless, senior City lobbyists stressed that the pro-Brexit coalition did not align neatly with the economic interests of particular financial sub-sectors, but instead tended to reflect the normative beliefs of key individuals: ‘where you get more dissent [about Brexit], it tends to be because of senior

individuals within firms who feel very strongly about the issue'.[38] Another noted that 'it was quite a mixture of different sectors and individuals with long-established views on the EU'.[39] Hence, the coalition even attracted the support of some prominent bankers, such as Lloyds chairman Lord Blackwell.[40]

Over time, these disparate 'pockets of Euroscepticism' gradually coalesced. Coordination was facilitated by the creation of the 'City for Britain' group in 2016, claiming to represent the authentic voice of 'UK financial services' – in contrast to 'multinational groups . . . whose bases and shareholders are largely overseas' (City for Britain, 2016). It developed a strongly anti-EU discourse, arguing that 'Europe turns us into a colony and we are used to an empire. We are not used to obeying rules we haven't set'.[41] Its main contribution was to sponsor a report, signed by over 20 senior Conservative MPs (including Boris Johnson), calling for the UK government to negotiate a 'Free Trade Plus' agreement with the EU, backstopped by preparations to leave on World Trade Organization (WTO) terms. On financial services, the report also advocated unilateral divergence from EU rules to support lighter regulation of the City, modelled on Hong Kong and Singapore (Global Britain, 2019).

Following the referendum, pro-Leave financial actors also supported the development of alternative ideas for post-Brexit arrangements through think tanks such as Politeia, Legatum and the IEA, and funded the creation of new pro-Brexit lobby groups, such as the Financial Services Negotiating Forum, which they used to challenge the City's official position. Further support also came from a wider network of groups, including Global Britain, a Eurosceptic business group; the Initiative for Free Trade, established by former Member of the European Parliament (MEP), Daniel Hannan; and Economists for Free Trade, led by Professor Patrick Minford. Financial backers of these groups were also known to be 'very close to a lot of Tory MPs . . . helping the Brexiteers who want a clean break from Europe'.[42]

Although unified around the idea of a clean break from the EU, these groups developed widely divergent proposals for the future UK–EU relationship. For example, Legatum (2017) rejected the binary distinction between mutual recognition and equivalence, and instead called for a broad 'bilateral regulatory partnership' based on a spectrum of 'dual regulation coordination' arrangements for different financial sub-sectors. Tellingly, Legatum was reported to have 'unparalleled access' to key ministers, including Brexit Secretary David Davis, while it provided much of the thinking behind the policy ideas developed by the influential European Research Group (ERG).[43] The IEA unambiguously viewed Brexit as an opportunity for the UK to regain control of financial regulation and restore the competitiveness of the City. It urged UK regulators to facilitate financial integration with other major financial centres (naming Switzerland, Hong Kong and Singapore) through a regime of 'multilateral mutual recognition', and to use the WTO to promote the liberalisation of market access in financial services (Institute for Economic Affairs (IEA), 2018). The IEA was also highly influential within government, with close links to several cabinet ministers.[44]

The most detailed discursive challenge to The CityUK's position was developed by Politeia in a series of reports authored by the legal partner, Barnabas Reynolds. These argued that the City's reliance on passporting was greatly exaggerated, that claims about a no-deal 'cliff edge' were 'scaremongering', and that the concept of mutual recognition was both 'amorphous' and politically unachievable (Reynolds, 2018: 9–10). Instead, Politeia advocated a simpler arrangement based on 'enhanced equivalence', which would seek to streamline and augment the EU's existing patchwork of third-country equivalence

regimes (Reynolds, 2016, 2018) This would be achieved through a new EU Equivalence Regulation, enabling third countries to opt in/out of equivalence in specific areas with reference to international standards or principle-based objectives. It was claimed that this Enhanced Equivalence Model would enable London to replicate the passporting regime without 'the red tape'.[45]

More controversially, Politeia also urged the government to simultaneously prepare for a no-deal Brexit by pursuing a 'Financial Centre Model'. This would mean relying on protections provided by the General Agreement on Trade in Services (GATS) to force the EU to grant the UK equivalence under its existing third-country regime, as well as exploiting legal loopholes (such as 'reverse solicitation') to allow UK firms to continue serving EU clients. The report also recommended tax incentives and 'radical removals of regulatory red tape' to maximise the City's international competitiveness and offset moves by Paris and Frankfurt to lure business away (Reynolds, 2018: 15). As a last resort, Politeia suggested that the UK government consider establishing a highly deregulated 'financial free zone' in parts of London, Edinburgh or Belfast.

The discursive strategy disseminated by this pro-Brexit coalition caused consternation among the main City authorities. As a senior figure noted, 'When the [first] Politiea report came out in November 2016 everyone said, "this is terrible, you can't do that. You have to have passporting"'.[46] Later, when the group proposed enhanced equivalence as an alternative to mutual recognition, The CityUK 'blew their top. They all said the idea was ridiculous, and we'd be mad to push for equivalence'.[47] Large global banks were particularly dismissive of the proposal, claiming that the authors 'don't understand Europe . . . it won't work'.[48] Although the arguments disseminated by the pro-Brexit coalition remained a minority view within the City, and one that failed to unify behind a single policy position, it was nonetheless sufficient to seriously undermine the discursive coherence of The CityUK's message. The UK financial sector was therefore viewed within government as 'deeply divided' on Brexit and incapable of speaking with one voice during the negotiations.[49] Similarly, a senior lobbyist complained 'We are all unclear . . . The industry just don't have a clear view on what the UK wants'.[50] As a result, the perception that the City's attempt to forge a common discourse around Brexit was 'badly executed, not representative, [and] not very influential' was widely shared across the sector.[51]

Conclusion

This article set out to generate new insights into the strengths and limits of the City of London's influence during the Brexit negotiations. Building on existing ideational approaches, we integrated theories of DI and business power to develop a richer account of the 'discursive power' of finance. Our analysis reveals the dissemination of strategic discourse about the role and importance of the City to be a critical source of policy influence, avoiding the need for extensive collective organisation. The financial crisis forced the industry to develop a more sharp-edged discursive strategy, framed around the contribution and competitiveness of the financial sector. But Brexit poses a more serious challenge, contributing to increased discursive fragmentation and coalition contestation. As a result, the City authorities have struggled to articulate a coherent or consistent message about the future UK–EU relationship.

The discursive power approach makes a threefold contribution to the literature. First, it builds on ideational approaches to financial power by unpacking the interactive processes through which financial actors employ ideas and discourse to wield influence.

This provides a more dynamic view of the ideational power of finance, highlighting both the contingency of financial sector influence and the critical role of key policy actors in (re)constructing power, over time. Second, the framework contributes to our understanding of business power by providing new insights into how diverse business interests engage in collective action. Specifically, DI highlights the importance of ideas in enabling disparate (financial) actors to (re)interpret their interests, identify shared preferences and build powerful coalitions around unifying discursive strategies. Equally, it also reveals the limits of coalition building: namely, when ideas no longer become viable or discourse becomes increasingly contested. Finally, analysing power 'through' ideas helps to move beyond structural and instrumental perspectives of financial industry influence 'over' government. Rather, analysis of discursive power sheds new light on the processes through which the City of London's power is (re-)constructed *through* and *with* the British state.

The analysis enables us to identify two important conditions for the assertion of discursive power. The first relates to *ideational constraints* which are shaped by the particular institutional context within which actors operate. These constraints are rooted in the 'background ideas' or 'public philosophies' of a polity (Schmidt, 2008, 2010), that is, core principles, underlying assumptions, deep philosophies or unconscious frames that serve to guide action and are rarely questioned or contested. In the case of the City of London, these constraints were provided by the UK's EU membership. This institutional context served to define the ideational boundaries of strategic discourse, both in terms of cognitive validity (what *was* possible) and normative acceptability (what *should be* possible), and thus the range and feasibility of different policy options open to policy makers and industry lobbyists. By anchoring the ideational expectations of financial actors over time, EU membership supported the identification of shared interests and preferences among heterogenous actors, and facilitated the development of unifying strategies and discursive coalitions for collective action. With the removal of these ideational constraints by Brexit, the boundaries of discourse about the role of finance in the UK economy, London's future as a global financial centre and the scope of feasible or acceptable policy options regarding the future UK–EU relationship have been expanded. This serves to undermine the City's collective influence by encouraging financial actors to re-evaluate their interests, contributing to discursive fragmentation and reconfiguring existing discursive coalitions.

The second condition relates to *discursive co-production*, defined here as the interactive processes through which strategic discourse is communicated, internalised and supported by policy makers. As detailed above, the UK financial sector historically relied on institutionalised interaction with senior policy makers in the Treasury and Bank of England (the 'nexus') to 'co-produce' its discursive power. This process was integral to the development of a powerful pro-finance cross-party consensus, manifested in the internalisation of pervasive cognitive and normative arguments about the importance of finance to the UK economy, government sponsorship of new collective bodies to represent the City's shared interests and political support to defend the sector's competitiveness against new EU regulation. Discursive co-production helps to explain why the City remained so influential after the financial crisis, even in the face of rising public salience, thereby confounding structural power explanations. But it also sheds light on why Brexit poses such a serious challenge to the City. Deep-rooted divisions within the British state over the future UK–EU relationship – including between the Bank and the Treasury – have undermined institutionalised processes of interaction with the City, and weakened

the discursive co-production of financial power with policy makers. As a result, the financial industry has struggled to articulate an effective discursive strategy within government, both in terms of its cognitive validity (e.g. as ministers were divided over the benefits of mutual recognition) and normative value (as the cabinet made an early decision to reject the sector's demand to prioritise retaining full market access). Future research would do well to try to unpack these conditions further, examining whether they hold across different policy and country cases, and – under the terms of the new EU-UK Trade and Cooperation Agreement – whether the conditions for the discursive power of the City are eventually restored.

Acknowledgements

We are grateful to all those participants who commented on an earlier version of this article at the Council for European Studies (CES) International Conference of Europeanists, Madrid, 20–22 June 2019, and to the anonymous reviewers for their very helpful and detailed suggestions.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Funding

The author(s) disclosed receipt of the following financial support for the research, authorship and/or publication of this article: This article was written as part of the 'Economic and Monetary Union (EMU) Choices' project, funded by the European Union's Horizon 2020 research and innovation programme under grant agreement No. 649532.

ORCID iDs

Scott James https://orcid.org/0000-0002-4632-9288

Hussein Kassim https://orcid.org/0000-0002-7603-8377

Notes

1. Anonymised interviews were conducted with a cross-section of representatives from the main City authorities and trade associations, large financial firms (from the banking, investment fund and insurance sectors), City legal experts and financial regulators. These were conducted in two tranches to independently capture the implications of the financial crisis and Brexit. Interviewees were asked about their perceptions of financial industry lobbying, key messages, capacity for collective action and policy influence – and how and why this had changed over time.
2. Interview, trade association, August 2011.
3. Interview, legal firm, May 2013.
4. Interviews, trade associations, August 2011; June 2013.
5. Interview, trade association, May 2013.
6. *The Guardian* (2011).
7. Interview, trade association, July 2013; Interviews, UK banks, September and October 2013.
8. Interviews, trade association, February 2018; insurance broker December 2017; US fund management firm, February 2018.
9. Interview, trade association, February 2018.
10. *Financial Times* (2017).
11. Interview, trade association, June 2017.
12. Interview, trade association, June 2017; interview, UK bank, July 2017.
13. Interview, City authority, June 2017.
14. Interview, trade association, June 2017.
15. *Financial Times* (2019).

16. Interview, trade association, June 2017.
17. Interview, insurance firm, January 2018.
18. Interview, US bank, February 2018.
19. Interview, UK bank, December 2017.
20. Interviews, US banks (x 2), February 2018.
21. Interview, US bank, February 2018.
22. Interview, German trade association, April 2018.
23. Interviews, UK banks (x 3), December 2017, February 2018, March 2018.
24. Interviews, UK and US banks, February 2018.
25. Interview, trade association, July 2017.
26. Interview, fund management firm, February 2018.
27. Reuters (2016).
28. Interview, UK bank, March 2018; *Financial Times* (2019).
29. Interview, trade association, July 2017.
30. *Financial Times* (2019).
31. *Financial Times* (2019).
32. *Financial Times* (2018).
33. Reuters (2018).
34. Interview, UK regulator, October 2017.
35. Interview, financial lawyer, April 2018.
36. Interview, financial lawyer, April 2018.
37. Interview, US bank, July 2017.
38. Interview, City authority, June 2017.
39. Interview, trade association, June 2017.
40. Daily Telegraph (2015).
41. *Financial Times* (2016).
42. Interview, fund management firm, February 2018.
43. Open Democracy (2017).
44. The Guardian (2019).
45. Interview, financial lawyer, April 2018.
46. Interview, financial lawyer, April 2018.
47. Interview, financial lawyer, April 2018.
48. Interview, US bank, February 2018.
49. Interview, UK minister, August 2017; interview, UK regulator, October 2017; see also CityAM (2016).
50. Interview, US bank, February 2018.
51. Interview, UK bank, July 2017.

References

Baker A (1999) ‘Nebuleuse and the “Internationalization of the State” in the UK? The Case of HM Treasury and the Bank of England’. *Review of International Political Economy* 6 (1): 79–100.

Baker A and Wigan D (2017) ‘Constructing and Contesting City of London Power: NGOs and the Emergence of Noisier Financial Politics’. *Economy and Society* 46 (2): 185–210.

Béland D and Cox RH (2016) ‘Ideas as Coalition Magnets: Coalition Building, Policy Entrepreneurs, and Power Relations’. *Journal of European Public Policy* 23 (3): 428–445.

Béland D, Carstensen M and Seabrooke L (2016) ‘Ideas, Political Power and Public Policy’. *Journal of European Public Policy* 23 (3): 315–317.

Bell S and Hindmoor A (2014) ‘The Ideational Shaping of State Power and Capacity: Winning Battles but Losing the War Over Bank Reform in the US and UK’. *Government and Opposition* 49 (Suppl. 3): 342–368.

Bell S and Hindmoor A (2015) ‘Taming the City? Ideas, Structural Power and the Evolution of British Banking Policy Amidst the Great Financial Meltdown’. *New Political Economy* 20 (3): 454–474.

Bischoff W (2009) *UK International Financial Services – The Future*. London: HM Treasury.

Blyth M (2002) *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. Cambridge: Cambridge University Press.

Campbell JL (2004) *Institutional Change and Globalization*. Princeton, NJ: Princeton University Press.

Carney M (2017a) *Oral evidence, Treasury Committee, House of Commons*, 11 January, London.

Carstensen M (2011) 'Ideas Are Not as Stable as Political Scientists Want Them to Be: A Theory of Incremental Ideational Change'. *Political Studies* 59 (3): 596–615.

Carstensen M and Schmidt V (2016) 'Power Through, Over and In Ideas: Conceptualizing Ideational Power in Discursive Institutionalism'. *Journal of European Public Policy* 23 (3): 318–337.

City for Britain (2016) 'About Us'. Available at: http://www.thecityforbritain.org.uk/p/about-us.html (accessed 18 August 2020).

CityAM (2016) 'The City has Nothing to Fear – And Much to Gain – From Brexit'. *CityAM*, 29 February. https://www.cityam.com/the-city-has-nothing-to-fear-and-much-to-gain-from-brexit/

Coates D and Hay C (2001) 'The Internal and External Face of New Labour's Political Economy'. *Government and Opposition* 36 (4): 447–471.

Culpepper PD (2012) *Quiet Politics and Business Power: Corporate Control in Europe and Japan*. New York: Cambridge University Press.

Culpepper PD and Reinke R (2014) 'Structural Power and Bank Bailouts in the United Kingdom and the United States'. *Politics and Society* 42 (4): 427–454.

Daily Telegraph (2015) 'No "Compelling Arguments" for Staying in EU Without Major Reform, Lloyds Chairman Says'. *Daily Telegraph*, 13 October. https://www.telegraph.co.uk/news/newstopics/eureferendum/11929853/No-compelling-arguments-for-staying-in-EU-without-major-reform-Lloyds-chairman-says.html

Engelen E, Erturk I, Froud J, et al. (2012) *After the Great Complacence: Financial Crisis and the Politics of Reform*. Oxford: Oxford University Press.

Financial Times (2016) 'What would Brexit Mean for the City of London?' *Financial Times*, 23 February. https://www.ft.com/content/23d576b0-386a-11e6-a780-b48ed7b6126f

Financial Times (2017) 'A Jittery City Seeks a "Passport" to Europe'. *Financial Times*, 3 July. https://www.ft.com/content/b435ac9c-5f34-11e7-91a7-502f7ee26895

Financial Times (2018) 'BoE and Treasury at Loggerheads over "Plan B" for City Brexit'. *Financial Times*, 28 May. https://www.ft.com/content/d8d3943e-625c-11e8-a39d-4df188287fff

Financial Times (2019) 'How the City of London's Brexit Lobbying Barrage Failed'. *Financial Times*, 15 April. https://www.ft.com/content/f0b6fdd2-57a9-11e9-91f9-b6515a54c5b1

Fitch-Roy O, Fairbrass J and Benson D (2020) 'Ideas, Coalitions and Compromise: Reinterpreting EU-ETS Lobbying through Discursive Institutionalism'. *Journal of European Public Policy* 27 (1): 82–101.

Fligstein N (2001) 'Social Skill and the Theory of Fields'. *Sociological Theory* 19 (2): 105–125.

Global Britain (2019) *A Better Deal and a Better Future* An alternative written ministerial statement under the terms of EUWA 2018 S13(4), 15 January 2019.

Green J (2016) 'Anglo-American Development, the Euromarkets, and the Deeper Origins of Neoliberal Deregulation'. *Review of International Studies* 42: 425–449.

Hajer M (1993) 'Discourse Coalitions in Practice: The Case of Acid Rain in Great Britain'. In: Fischer F and Forester J (eds) *The Argumentative Turn in Policy Analysis and Planning*. Durham: Duke University Press, pp.43–76.

Hopkin J and Shaw KA (2016) 'Organized Combat or Structural Advantage? The Politics of Inequality and the Winner-Take Economy in the United Kingdom'. *Politics and Society* 44 (3): 345–371.

Howarth D and James S (2020) 'The Politics of Bank Structural Reform: Business Power and Agenda Setting in the United Kingdom, France, and Germany'. *Business and Politics* 22 (1): 25–51.

Howarth D and Quaglia L (2018) Brexit and the Battle for Financial Services. *Journal of European Public Policy* 25 (8): 1118–1136.

Ingham GK (1984) *Capitalism Divided? The City and Industry in British Social Development*. Basingstoke: Macmillan.

Institute for Economic Affairs (IEA) (2018) *Improving Global Financial Services Regulation*. London: IEA.

International Regulatory Strategy Group (IRSG) (2017a) The EU's Third Country Regimes and Alternatives to Passporting. 23 January, London. Available at: https://www.thecityuk.com/research/the-eus-third-country-regimes-and-alternatives-to-passporting-executive-summary/ (accessed 30 August 2020).

International Regulatory Strategy Group (IRSG) (2017b) Mutual Recognition - A Basis for Market Access after Brexit. 11 April, London. Available at: https://www.irsg.co.uk/resources-and-commentary/irsg-report-on-mutual-recognition-a-basis-for-market-access-after-brexit/ (accessed 30 August 2020).

Jabko N (2006) *Playing the Market: A Political Strategy for Uniting Europe, 1985–2005*. Ithaca, NY: Cornell University Press.

James S (2018) 'The Structural-Informational Power of Business: Credibility, Signalling and the UK Banking Reform Process'. *Journal of European Public Policy* 25 (11): 1629–1647.

James S and Quaglia L (2019) 'Brexit, the City and the Contingent Power of Finance'. *New Political Economy* 24 (2): 258–271.

James S and Quaglia L (2020) *The UK and Multi-Level Financial Regulation: From Post-Crisis Reform to Brexit*. Oxford: Oxford University Press.

Johal S, Moran M and Williams K (2014) 'Power, Politics and the City of London after the Great Financial Crisis'. *Government and Opposition* 49 (3): 400–425.

Kalaitzake M (2020) 'Brexit for Finance? Structural Interdependence as a Source of Financial Political Power within UK-EU Withdrawal Negotiations'. *Review of International Political Economy*. Epub ahead of print 6 March. DOI: 10.1080/09692290.2020.1734856.

Lascelles D and Boleat M (2002) 'Who Speaks for the City? Trade Associations Galore'. *Report, Centre for the Study of Financial Innovation, London*, October.

Lavery S, McDaniel S and Schmid D (2019) 'Finance Fragmented? Frankfurt and Paris as European Financial Centres after Brexit'. *Journal of European Public Policy* 26 (10): 1502–1520.

Legatum (2017) *A New UK/EU Relationship in Financial Services: A Bilateral Regulatory Partnership*. London: Legatum.

Lindblom CE (1977) *Politics and Markets*. New York: Basic Books.

Longstreth F (1979) 'The City, Industry and the State'. In: Crouch C (ed.) *State and Economy in Contemporary Capitalism*. London: Croom Helm, pp.157–190.

Moran M (1991) *The Politics of the Financial Services Revolution: The USA, UK and Japan*. Basingstoke: Macmillan.

Moran M (2009) *Business, Politics and Society: An Anglo-American Comparison*. Oxford: Oxford University Press.

Palier B (2005) 'Ambiguous Agreements, Cumulative Change: French Social Policy in the 1990s'. In: Streeck W and Thelen K (eds) *Beyond Continuity: Institutional Change in Advanced Political Economies*. New York: Oxford University Press, pp.127–44.

Open Democracy (2017) 'How Legatum has Written the Hymn Sheet for a Dirty Brexit'. *Open Democracy*, 27 November. https://www.opendemocracy.net/en/dark-money-investigations/how-legatum-has-written-hymn-sheet-for-dirty-brexit/

Przeworski A and Wallerstein M (1988) 'Structural Dependence of the State on Capital'. *American Political Science Review* 82 (1): 11–29.

Reuters (2016) 'Britain's Finance Sector at Odds over Brexit Lobbying'. *Reuters*, 2 October. https://uk.reuters.com/news/picture/britains-finance-sector-at-odds-over-bre-idUKKCN1220DG

Reuters (2018) 'Finance Industry Tears into Britain's Brexit Trading Plans'. *Reuters*, 12 July. https://www.reuters.com/article/uk-britain-eu-banks/finance-industry-tears-into-britains-brexit-trading-plans-idUSKBN1K21Q0

Reynolds B (2016) *A Blueprint for Brexit: The Future of Global Financial Services and Markets in the UK*. London: Politeia.

Reynolds B (2018) *The Art of the No Deal: How Best to Navigate Brexit for Financial Services*. London: Politeia.

Schelkle W (2016) Financial Centre and Monetary Outsider: How Precarious is the UK's Position in the EU? *The Political Quarterly* 87 (2): 157–165.

Schmidt V (2008) 'Discursive Institutionalism: The Explanatory Power of Ideas and Discourse'. *Annual Review of Political Science* 11 (1): 303–326.

Schmidt V (2010) 'Taking Ideas and Discourse Seriously: Explaining Change through Discursive Institutionalism as the Fourth "New Institutionalism"'. *European Political Science Review* 2 (1): 1–25.

Schmidt V (2017) 'Theorizing Ideas and Discourse in Political Science: Intersubjectivity, Neo-institutionalisms, and the Power of Ideas'. *Critical Review* 29 (2): 248–263.

Talani LS (2012) *Globalization, Hegemony and the Future of the City of London*. Basingstoke: Palgrave Macmillan.

Talani LS (2019) 'Pragmatic Adaptation and the Future of the City of London: Between Globalisation and Brexit'. In: Hay C and Bailey D (eds) *Diverging Capitalisms: Britain, the City of London and Europe*. Basingstoke: Palgrave Macmillan, pp.43–71.

The CityUK (2014) 'The CityUK's Response to the Balance of Competences Review – Single Market: Financial Services and Free Movement of Capital Following Submission to HM Treasury's Call for Evidence'. *The CityUK*, 27 January. https://www.thecityuk.com/news/thecityuks-response-to-the-balance-of-competences-review-single-market-financial-services-and-free-movement-of-capital-following-submission-to-hm-treasurys-call-for-evidence/

The CityUK (2016a) 'A Practitioner's Guide to Brexit: Exploring Its Consequences and Alternatives to EU Membership'. *The CityUK*, 9 March. https://www.thecityuk.com/assets/2016/Reports-PDF/0aa1e50c2b/A-practitioners-guide-to-Brexit.pdf
The CityUK (2016b) 'UK Financial and Related Professional Services: Meeting the Challenges and Delivering Opportunities'. *The CityUK*, 3 August. https://www.thecityuk.com/assets/2016/Reports-PDF/05c7d05590/UK-financial-and-related-professional-services-meeting-the-challenges-and-delivering-opportunities.pdf
The Guardian (2011) 'Banks Put Yearly Bill for Radical Reforms at £15bn'. *The Guardian*, 20 March.
The Guardian (2019) 'How the Right's Radical Thinktanks Reshaped the Conservative Party'. *The Guardian*, 29 November. https://www.theguardian.com/politics/2019/nov/29/rightwing-thinktank-conservative-boris-johnson-brexit-atlas-network
Thompson H (2017) 'How the City of London Lost at Brexit: A Historical Perspective'. *Economy and Society* 46 (2): 211–228.
UK Government (2018) The Future Relationship Between the United Kingdom and the European Union, Cm 9593, July 2018, London: Stationery Office. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786626/The_Future_Relationship_between_the_United_Kingdom_and_the_European_Union_120319.pdf (accessed 14 August 2020).
Ward M (2018) *Statistics on UK–EU Trade*. House of Commons Briefing Paper, no. 7851, 30 November 2018. London: House of Commons.
Wigley B (2008) *Winning in a Changing World*. London: Merrill Lynch Europe.
Zeigler JN and Woolley JT (2016) 'After Dodd-Frank: Ideas and the Post-Enactment Politics of Financial Reform in the United States'. *Politics and Society* 44 (2): 249–280.

Author Biographies

Scott James is a Reader in Political Economy at King's College London. His work relates to the political economy of financial regulation, business power, and economic narratives.

Hussein Kassim is a Professor of Politics at the University of East Anglia. His research investigates EU institutions, EU-member states relations, eurozone reform, and regulation.

Thomas Warren was a Senior Research Assistant at the University of East Anglia from 2017-18 as part of the Horizon 2020-funded 'EMU Choices' project.