

A depressing view from the City

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I was invited to take part in a discussion in the City of London yesterday. This is not a particularly unusual event, but the combination of people brought together on this occasion was extremely diverse. The whole thing was done on a Chatham House basis which means that names will not be mentioned but the views expressed can be.

It is fair to say that a slight majority of those present had voted leave two weeks ago which is not in all likelihood representative of the City as a whole, and all the opinions offered were personal. Most of those present were involved in financial trading of some sort; two were economists and one was a journalist from a newspaper that I will not name.

The Remain View

I have to be honest, the Remain camp were the quieter of the two present.

We were, broadly, pessimistic.

We hoped that Theresa May would become prime minister and we presumed, although we did not know it at the time that Andrea Leadsom would be her opponent, and were pretty gloomy at the prospect, largely because we could not see how she could command her party. Given that it has a tiny majority there was some debate as to what this might mean for Brexit negotiations.

What worried those of us in the Remain camp most of all was, perhaps, the chance that Leadsom might be Chancellor.

We recognised Leadsom could win: the make up of the cabinet in that case seemed to be a clear cause of concern to Remainers.

I think those in the Remain camp thought that the chance of austerity surviving as a policy was low: I am not too sure that this was true of the leave camp.

Those in the Remain camp also thought there was a very high chance that Article 50

might never be invoked: unsurprisingly those in the Leave camp did not agree.

Everyone agreed that George Osborne has no chance of surviving as Chancellor.

The Remain camp seemed to conclude that Theresa May's most likely choice of Chancellor was Sajid Javid.

The Remain debate participants (or was it just me?) were worried about the inability of any Conservative government to deliver for the vast majority of the people who had voted Leave. This did not appear to be a matter of concern to the Leavers.

The Remain camp were very clear that they saw the Leave vote as a rejection of the impact of globalisation. The Leave camp did not do so: their reason to say that was it had not been described as such on doorsteps and therefore it could not be true. We pointed out that many of the reasons given could be seen as proxies for this one real cause: I do not think that was agreed, at all.

Who do Leave want as PM?

Leadsom. There was no doubt about this: their assessment of May was blunt and none too polite.

How low did the Leave camp want the pound to go?

One present said he had no concern at all about how low the pound went: he thought the lower the better as that meant there was more of the UK that he could sell and this was the only issue he was concerned about.

Will we have a property crisis?

The Remain camp were worried: the Leave camp did not seem to be so.

As far as the Leave camp were concerned high value London property was now more attractive: money from high net worth individuals would continue to flow into London now that property was relatively cheaper and that was all that mattered.

What sectors will drive growth?

This was only discussed in context of Leave and the change in the value of the pound. The car industry was seen as an engine for growth because UK manufacturing was now cheap. It was thought that manufacturers would now push up wages by the Leave camp because some of the devaluation would be taken to profit and wage returns: I doubt this.

There was very little agreement on the impact on retailing or inflation. Amongst Leavers growth seem to be almost inconsequential: the ability to arbitrage is key.

Taxes

The Leave camp were encouraged by the UK being a tax haven.

Summary

There was sanity present. It was not well heard. The Leavers really do think they have carte blanche to exploit this situation for their own gains. It was pretty depressing.