

The post-Brexit question has to cease to be â€˜what...â€™

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A tweet from Robert Peston refers to one of the more rapid consequences of Brexit, after the demise of the UK shellfish industry, that is:

<https://twitter.com/peston/status/1359653603972104194?s=21>

There was always a chance that Brexit might reduce the status of the City of London, but this change of fortune is happening at a much faster rate than I might have expected. It suggests a number of things.

The first is that very clearly some in the EU had worked out the consequences of Brexit and planned for it. Such a shift did not happen without a plan to create the necessary capacity for it to occur. So, others read and planned for Brexit vastly better than the UK did.

Second, this suggests that the UK's invisible earnings, which arise from the sale of services, are likely to fall as rapidly as those from the export of goods, which we know are in deep trouble. I would also suggest that once shifted recovering lost service sales may become even harder than recovering lost sales of goods: the moment new habits are formed around services they are much harder to break.

Third, there is an obvious consequence to all this, which is to the value of the pound. Invisible exports have, in part, addressed the UK's long running deficit in the trade in goods. The City has played a major role in that, which has at least in part been the basis for its economic power in the country. If those sales are lost, the value of the pound will fall.

Fourth, a long-term fall in the value of the pound, on top of the significant decline since Brexit was decided upon, would have major ramifications. One is an inflation risk peculiar to the UK that MMT could not address because it would relate to a fundamental change in trading relationships. Another would be a significant change in many people's perception of their wellbeing. Some very obvious products, like foreign holidays, will be much more expensive. That is, I suspect, not what people thought they were voting for

when they wanted to leave the EU.

And last, for now, is the resulting underlying challenge that this poses. We already know that Brexit is destroying some sectors, such as the trade in shellfish, which was almost entirely export led. Now, if the City declines, one of the narratives of UK economic power will disappear. The impact of Brexit is going to be bigger on the country than anyone really expected. Or maybe I was just naive in hoping that things could not get this bad this quickly. But I was wrong, and it has.

So what does that decline mean? Basically, our reality is that we are set on an unknown, but chosen course. That is one where the option of reduced growth was taken, even if it was not understood. And that course is also associated with relative isolation. We have turned our back, quite deliberately, on cooperation. It will be a long time before we can expect it again.

Although 'we' here does, of course, refer to England alone. Scotland and Northern Ireland have ways out of this mess. Even Wales might, but it will take longer. But for England, what does a period of chosen decline in status, earnings and consequent national confidence, mean? Because it seems that is, inevitably, the immediate issue that it faces.

The answer is, of course, unpredictable. But it will involve creating a new national narrative. Brexit has not and cannot, deliver that narrative. There is no enemy, despite its story, around which to build this new alternative by delivering unity in opposition. There will, ultimately, only be the realisation that this was a plan of choice.

The only viable narrative in that case is one that embraces the difference, and the other opportunities of this moment. England could pioneer a Green New Deal. It could adopt MMT as the explanation for policy. It could appreciate that when it has excluded itself from markets by choice it must as an alternative think about bigger government. It could recognise that financial capitalism, where reward is skimmed from others, has ceased to be an option when others will no longer accept those terms. It could transform, in other words into a post financially industrialised state .

But that requires an almost absent vision of a new England. And it takes time. And that is not on England's side. And yet what is clear is that very rapidly the question will need to cease to be 'what have we done?' and become instead 'what can we do about it?' I do not, however, see any real sign of this as yet. And that is worrying.