**London Exceptionalism and the Challenge of Brexit**

London exemplifies the divisions exposed by the EU referendum and the challenge facing the government led by Theresa May in pursuing a strategy for the UK as a whole. But the economy of London is too important to be sacrificed because of the failures of the British political system. Its interests must be at the heart of negotiations and protected even if that means disappointing Leave voters. This article discusses the exceptionalism of the capital and what significance it holds for economic and political stability. It considers the importance of London in the negotiations. Fundamentally it is a commentary of current events and an attempt to understand what is happening and could happen as a result of the referendum rather than the in-depth academic analysis which, for now, will have to wait.

The referendum on UK membership of the European Union laid bare the divisions which have existed for many years but have perhaps been ignored. In the small hours of that fateful Friday morning as the results were coming in, Iain Duncan Smith let slip as to why. 'This isn't like a general election', he told Radio 4 listeners candidly, 'every vote counts'. He was of course right. General Elections are won on the battleground of perhaps 80-100 marginal seats; about a third of constituencies never change political hands. A majority of the electorate simply does not get the candidate they voted for and as a result the needs of large segments of society can be and are overlooked. The referendum was different. Every vote had equal worth and the process gave an outlet to discontent and division.

It is now clear that these divisions are multifaceted; they are geographic, political, economic, social, class, age, educational, cultural, even expertise (As Michael Gove put it, 'I think we've had enough of experts'). According to Lord Ashcroft's polling data, the 18-24 age group were 73% likely to vote Remain while the over 65s were 60% likely to vote Leave. Fifty seven percent of the AB social groups (higher managerial, professional) voted Remain (the only group to do so as a majority), while 64% of C2 (skilled manual) and DE (semi-skilled, unskilled, unemployed) respectively voted Leave. And the same is true of social attitudes. Take the idea of 'social liberalism'. Sixty eight percent of Remain voters would describe this as a 'force for good' while 80% of Leave voters said it was a 'force for ill'. When it comes to globalisation there is a similar 62% to 69% comparison; while the thorny issue of immigration saw 79% of Remainers believing it a force for good with 80% of Leavers rejecting it as ill. These are divisions in attitude, interests and outlook.

In its wake, the referendum has left the two main political parties split and recriminations between the two sides of the debate rife. But for all the attention on the divide between Scottish Remainers and English Leavers, with implications for the Union, it is perhaps London which most starkly illustrates the fault line which has become clear for all to see.

The electoral map of Britain on 24th June saw London's strong Remain isolated in a sea of fervent English Leave. Sixty percent of the 3.7 million London voters wanted to Remain with some boroughs notably high including Lambeth (79%), Hackney (78%) and Haringey (76%), Wandsworth (75%). Only at the peripheries - Havering, Bexley, Barking and Dagenham - did the outcome reflect the rest of England by rejecting the EU. More broadly, the fact that London goes against the grain reflects a metropolitan liberalism and open economics which is viewed with suspicion in ordinary English and Welsh (and Scottish) towns. And London is on average more cosmopolitan, wealthier, younger, better educated and more economically productive than the rest of the country. The average age in London is 34 compared to 40 across the UK; 58% of the working population have degrees compared to an average of 38%. London is home to around 9 million people, 13% of the population, but is responsible for almost a quarter of economic output.

The feeling is mutual. London itself feels somewhat separate from the rest of the country; it shares more in common - an outlook - with other world cities such as New York, Sydney, Paris, Berlin, than it does with say Boston in Lincolnshire which voted almost 76% to Leave the EU and distinguished itself as Britain's most Eurosceptic town. Like similar regions of the UK, Boston has experienced EU immigration (reaching around 13% of the local population at the time of the vote) and which grew strongly after the accession of 8 Eastern European countries in 2004.

But the irony is that while the fear of immigration was the strongest card the Leave campaign played, London absorbs more economic migrants than anywhere else. About a third of all EU migrants to the UK live in the city. According to Oxford's Migration Observatory, London has around 3 million foreign born citizens representing some 39% of the population of inner-London. What is more London has enjoyed historically low unemployment, record high employment and can boast a productivity that is 42% higher than the UK average; all driven to a significant degree by the dominant financial services industry based around the City. Britain relies on London’s economy and the capital represents the economic interests of Britain. London is faced with particular risks from Brexit - in terms of its economy and social vibrancy - and this partly explains both why Londoners voted Remain and indifference elsewhere in the country.

London is economically more important than any other part of Britain, including the devolved regions of Scotland and Wales which enjoy much greater political control (perhaps one outcome of any Brexit would be to give devolved assemblies the responsibilities currently exercised at EU level). Just consider that if London gained the independence that some want for Scotland, it would be the sixth biggest economy in Europe. Within the EU it is the financial capital and a leading centre in the world. That is why early indicators are worrying including the July 2016 Lloyds Bank Purchasing Managers Index which found that following the vote London businesses were hit harder than any other region with employment falling for the first time in 38 months.

It is therefore the economic interests of London which should now be paramount in the negotiations about Britain's relationship with the EU. Those interests surely include securing access to the single market. But at the same time the emotive issue of free movement must be addressed politically. Squaring that circle (or 'pie in the sky' as one French Minister put it) is the biggest challenge for Theresa May's new government. London's premiere financial services industry requires access to the single market to survive. This explains why the ‘London Visa’ is one idea being floated by the London Chamber of Commerce. TheCityUK, which speaks for the Square Mile has already prioritised what it calls 'mechanisms approximating single market passporting' but highlighted a range of other risks. Already the London Stock Exchange has seen a 60% fall in new issuance since the financial crisis at a time when its US counterparts have seen increased activity.

The referendum is a further blow to this business. And it is business which is vital to the UK economy. Financial services account for 10% of GDP (the highest in the G7) while the Centre for Cities calculated that London as a whole, with its technology industries, legal services and education, contributes 30% of UK tax revenues (the same as the next 37 UK cities combined). It shows that income tax revenue from London over the decade to 2015 increased by 35% (Manchester by contrast increased just 1%) and this means that any slowdown in the London economy has implications for the country as a whole. Whatever the disdain of the rest of Britain to its capital and the people who live and work there, the UK is heavily reliant on its economy.

The phrase that 'Brexit means Brexit', emphatic as it may seem, undoubtedly permits different scenarios about the future relationship between Britain and the EU. There are elements of the Tory party (along with UKIP) who want to sever all links with the EU in favour of some sort of free market, trading, tax haven. Prime Minister May has appointed no less than three Leave campaigners to her Cabinet to oversee the process directly.

And yet she appears to be handling the negotiations herself. Furthermore she seems to have prioritised the Union and has given the pro-EU Scottish government a full part in agreeing the settlement (London also needs such a voice). Meanwhile, the differing attitudes of Boris Johnson, David Davis and Liam Fox are a recipe for huge political tantrums perhaps, just, paving the way for the preservation of the relationship with EU partners.

The divisions laid bare by the referendum need to be addressed politically. They are divisions which are epitomised by London which at times looks like a different country from the towns up and down Britain. Ordinary voters must believe they have a say and a stake in the country and its economy. Theresa May needs to bring home a deal which addresses concerns about free movement. But the conundrum also requires that the interests of London are preserved because without it the whole country will suffer.

Dr Stephen Barber is Associate Professor in Public Policy at London South Bank University @StephenBarberUK