

The Geopolitics of London: Or, How England Joined the World

July 19, 2018

The city was a global financial hub well before the EU, and it will be one well after Brexit.

Editor's note: Earlier this month, British Prime Minister Theresa May announced her plan to withdraw from the European Union. The plan would keep Britain in a free trade zone with the EU for certain goods, a move that proved unpopular even among some in her own party. Adding fuel to the fire, U.S. President Donald Trump told a British tabloid last week that the plan would kill any chance for a U.S.-U.K. trade deal. In light of the uncertainty over just how this issue will play out, we are republishing the following report, which was originally published in April 2018, to remind our readers why these negotiations are so critical for both Britain and the EU and how London became the financial hub it is today.

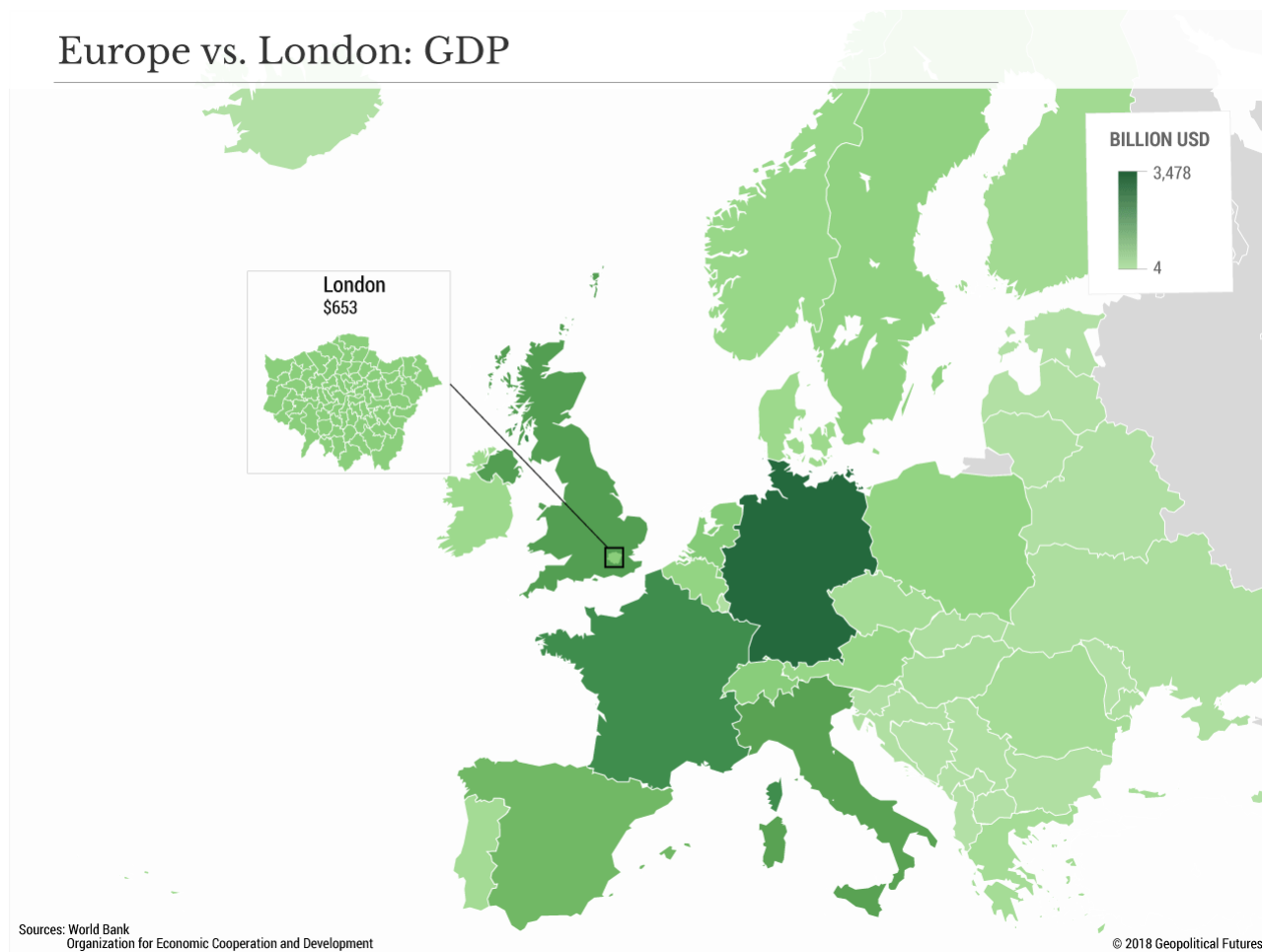
Summary

Were London a city-state, it would have the 20th-largest national economy in the world – larger than the national economies of Saudi Arabia, Argentina and South Africa. Were London a city-state, its national per capita gross domestic product would be greater than that of the United States. Were London a city-state, it would be the 15th most populous country in Europe, with an overall population bigger than that of Austria or Denmark and bigger than the combined populations of Scotland and Northern Ireland. And were London a city-state, it would have voted to remain in the European Union, and it would no doubt be criticizing neighboring England for voting to leave.

Alas, London is not a city-state, and for all its history, wealth and power, it can never aspire to be one. For just under a millennium, London has been the capital of England; for more than three centuries, it has been the capital of the United Kingdom; for more than a century, it was the capital of the largest empire ever conquered. London embodies the paradox of all great cities. Great cities are the ultimate expressions of their national cultures, often serving as the seat of power for millions, even billions, of people who do not actually live there. But just as often, the interests of the cities diverge from those of the rest of the nation.

Such is the case for London, a city that is the very definition of cosmopolitan. The power it wields and the opportunities it offers have attracted people from all over the world. The city, once a tactical nicety for warring tribes, has become a strategic necessity for the country in which it resides. The role London plays in that strategy changes according to the necessities of the times, and it's just as likely as not that its interests actually align with the United Kingdom's.

Europe vs. London: GDP



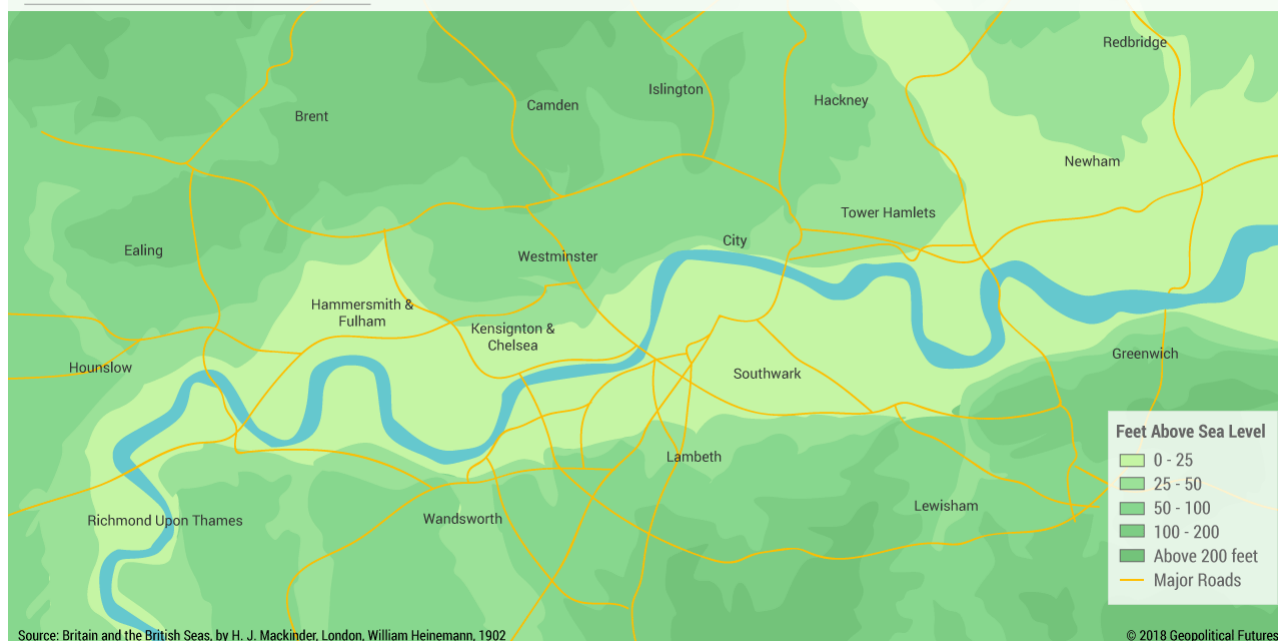
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Consider Brexit. No part of the United Kingdom will feel the ramifications of the U.K.'s departure from the EU more deeply than London, which by dint of strategic necessity became a European financial and economic powerhouse. That is why Londoners voted with the Scots and the Northern Irish to "remain" – because London, not England, will bear the brunt of the short-term disruptions to come. But London has transformed itself many times before, and there's no reason to believe it will be daunted this time around. London would no doubt prefer to remain in the EU and continue to enrich itself as Europe's primary financial capital, but London has been and always will be a national capital. Its wealth and power are not its charity to the nation; they are a consequence of its position as the nation's capital. The gap that has opened between England's interests and London's will, however, narrow, but as it does, London will not lose its place among the world's great cities. It will discover its place anew.

Bridging the Thames

London has fluctuated in size and relevance throughout the years, but there has nearly always been an important population center at the head of the estuary of the River Thames, which is as dynamic as the city itself. In ancient times, the river was broader and shallower than it is today, stretching out some 3 miles (5 kilometers) north and south of where the present-day London Bridge is found. The marshy fen would, at high tide, become part of the sea. For continental European invaders landing at Kent, London was the point at which the narrow road between the Thames marshes and the Weald forest protruded at the head of the estuary. The heart of the earliest settlements in present-day London were based, as the city is today, on an angle of solid ground between these marshes and the roads that emerged.

London Elevation



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The Thames, the United Kingdom's second-largest river, flows through southern England for 215 miles. In ancient times, the river was a natural boundary between various kingdoms. The Romans were the first to bridge the Thames, but they would not be the last, and London's prosperity rose and fell based on the existence and defense of a bridge that could connect the lands south and north of the river. London Bridge is not just a nursery rhyme or a historical artifact: London Bridge is the reason London exists, and it is the reason southern England came to be a coherent geographic entity.

In this sense, London, like most cities, is not a geographic eventuality but a manmade creation. Once man provided the bridge, London grew rapidly. Its core – the solid ground among the marshes – is where the first Roman settlement was based, and it is where “the City,” the

financial district and beating heart of London, is located today. Across the bridge on the southern bank of the Thames, smaller settlements appeared as far back as the first century in what is today known as Southwark. As London grew more populous and more important, it expanded, first to the west, where Westminster and the offices of the government stand today and where previous government offices had been based for many centuries.

Over time, London grew in all directions, surrounded as it was by flat plains. On modern maps, London looks like a vast circle, with multiple ring roads encompassing still larger residential and suburban areas. The richest areas are near the City and Westminster, especially north and northwest of these historic areas still bursting with power and life. East of the city is the Port of London, which remains a massive transshipment hub, shipping British goods out to the world, moving imports up the Thames and offloading them to land by a road network of which London is a primary component.

The poorer regions of London are in the northeast and the south, the parts of the city that grew not because London was a seat of government or trade but because London was home to an industrial boom in the 18th century. It is no coincidence that four of the five London council areas that voted to leave the EU (versus 28 that voted to remain) are located in south and east London. These areas have always been peripheral to London's core, a stark reminder of the limits of London's cosmopolitan reach and the true beginning of England. Even accepting these differences, London, and by extension southeastern England, is essentially one vast, densely populated metropolitan area, tied together by London Bridge, without which there is no reason for London to exist.

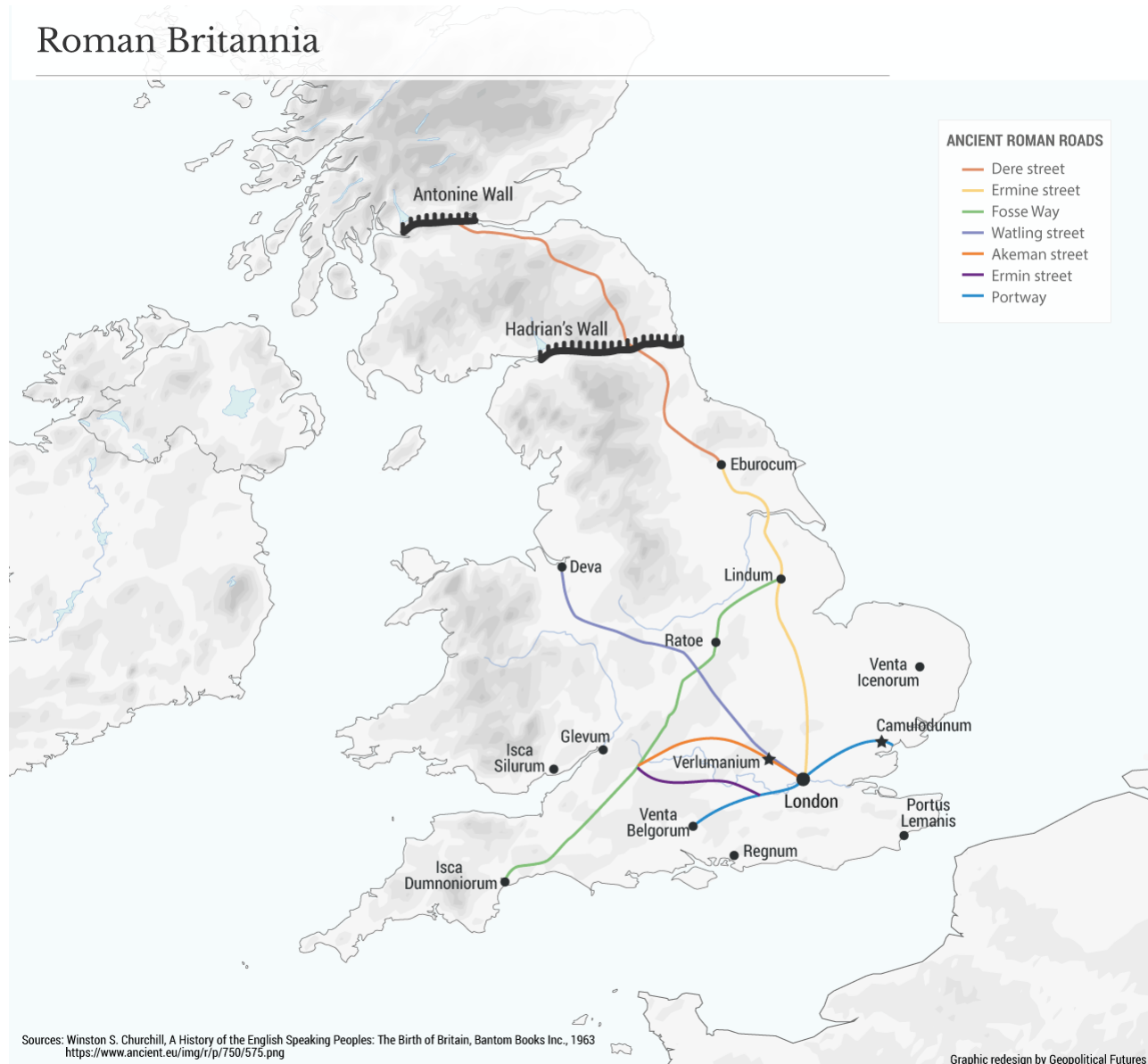
Becoming Cosmopolitan

But how did this transformation occur, from small trading outpost to metropolitan leviathan? The story of London is the story of Great Britain's joining the world. Great Britain, after all, is an island, and as such it was removed from the comings and goings of Eurasia for much of antiquity. Eventually, Imperial Rome raped and pillaged its way to the end of the European Peninsula and, undeterred by the English Channel, sought conquest beyond the water's edge. Though Rome would for centuries rule parts of what it would come to call Britannia, the Roman conquests there did not unify what we now call the United Kingdom. (English, Scottish and Welsh nations would not congeal for centuries.) Indeed, Rome's most lasting legacy was not Hadrian's Wall or the Christian faith but rather the city of London itself.

That's not a knock against the Roman Empire. Great Britain was simply hard to tame. Before the Romans crossed the channel, Great Britain was a vast island of warring tribes at the very edge of Eurasia, which is where most history actually took place. The Celtic tribes that lived in Great Britain prior to Rome's invasion occupied the territory of present-day London, and archaeological evidence suggests this area was at one time the focal point of a small Celtic empire. But although the area around present-day London had certain geographic advantages – among

them centrality, fertile land and defensible positions to the north, east and southeast – it sat on a relatively flat plain between other small Celtic tribes. What we now call London was a prize to be sought and conquered, a British analogue of the North European Plain, mainland Europe's primary thoroughfare of conquest for time eternal.

The Romans, then, did not found London. But the very existence of a foreign invader like Rome forever changed the geopolitics of the British Isles and thus London's role in them. The first recorded mention of London comes from the Roman historian Tacitus, who chronicled a revolt of one of the most powerful tribes of Britons against Roman rule in A.D. 61. The bulk of the four Roman legions in Britannia were stationed at Celtic strongholds near present-day Colchester and St. Albans, which the Romans called Camulodunum and Verulamium. The revolt began at Colchester and proceeded to a place called Londinium, a small town on the River Thames that had become an important trading center. The warring Britons sacked the city and moved from there to St. Albans, which suffered a similar fate. Eventually, Rome's superior military prevailed, and the marauding Britons were defeated in the field. The revolt destroyed at least three major towns and left untold numbers of Roman soldiers dead, but it had been quelled. Rome had completed the first successful invasion of Great Britain.

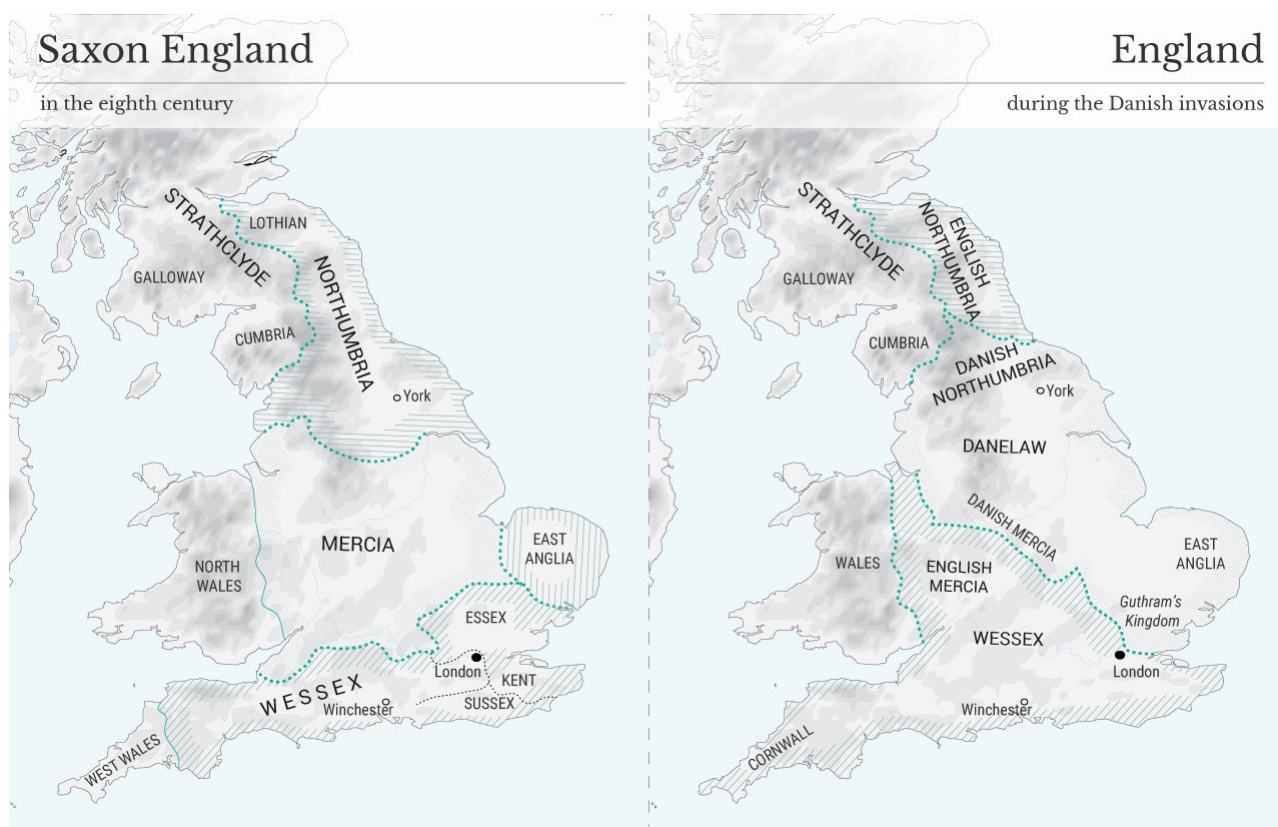


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Londinium would become the most important city in Roman Britannia. The Romans had initially deployed their forces where tribes had been strongest, but once the tribes in the south had been subdued and Roman rule was relatively secure, it became clear that Londinium was the key to maintaining Roman control over the new possessions. Londinium's location on the River Thames meant that the city not only was directly accessible from Europe but also was more defensible than a city built on the coast. Londinium's central location in Great Britain also made it a logical place for a transportation hub, and indeed, all the major roads in Britannia ran through Londinium. The small trading post became Rome's bridgehead into Britannia, and as a result, the city prospered.

Prosperous though it was, it would not become the city it is today were it not for three more invasions that took place over the next several hundred years.

First came the Anglo-Saxons. As the Roman Empire declined, its centers of power migrated to the east, its interests in the western fringes of the empire waned, and its armies withdrew in the early fifth century, enabling the Anglo-Saxons to invade from present-day Germany with relative ease. In the course of their invasions, London was sacked and destroyed, and the island was again divided into smaller kingdoms of various sizes and statures. The earliest known post-Roman settlements in London were not built until the sixth century, when London was part of the Kingdom of Essex. There it would remain little more than a small regional population center until the eighth century.



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What changed was the emergence of a new threat on the east coast: the Vikings. London, like most of eastern Britain, was at the mercy of Viking incursions and so fell out of Anglo-Saxon hands at various points in the seventh and eighth centuries. But the Vikings were either unable or unwilling to establish a long-term presence. If anything, their presence alone helped to create the conditions for their expulsion by uniting the Anglo-Saxon world under the banner of King Alfred the Great. (This is around the same time English became the common tongue on the

island, so it's likely that some of the differences that divided the kingdoms had naturally been resolved through generational decay.) Alfred brought together the mighty kingdoms of Wessex and Mercia, and slowly he drove back the Viking invaders from the lands they had conquered. In 886, Alfred reconquered London, turning it into a formidable fortress to halt Viking advances up the Thames. The capital of Alfred's kingdom remained at Winchester, but for 100 years, London had relative peace and security and began to grow and prosper once more.

And yet London was still not the center of gravity as we know it today. By the 10th century, the Anglo-Saxons and Vikings had gone to war once more, trading control of various holdings, including London, throughout the countryside. Across the English Channel, the famed Norman leader William the Conqueror took stock of the situation and, seeing that most of the Anglo-Saxon forces were in the north, battle-weary after a grueling fight against the Vikings, decided it was ripe for invasion. A full-frontal assault on London through the Thames was too risky, so William crossed the English Channel with his invasion force and landed at Pevensey in the southeast. After defeating the main Anglo-Saxon force a few weeks later at the Battle of Hastings, he marched on London and claimed his prize. There, he was crowned in 1066.

This is when London evolved from a regional town of tactical importance to a global city of strategic significance. For William, as for the Romans, London was the key to holding the island. But William was not just king of Britain; he controlled areas across the English Channel, and he needed a city that was defensible yet allowed easy passage between his territorial holdings. Though London would not officially become the capital until nearly 90 years after his coronation, it was William who rebuilt London Bridge and constructed the Tower of London and other important fortifications. It was thus William's international ambitions that led to increased trade between Britain and the European continent, from which London benefited more than any other city.

And so it was that London became England's gateway to the world – and the world's gateway to England. How – and how well – they would engage one another would change throughout the years, of course, but after William's conquest, London would never go back to being just another important city to control in England. The country's subsequent rulers knew that to protect England from being a constant object of foreign conquest, England had to control the entire island and, more important, act pre-emptively in the affairs of continental Europe – things only the control of London could accomplish.

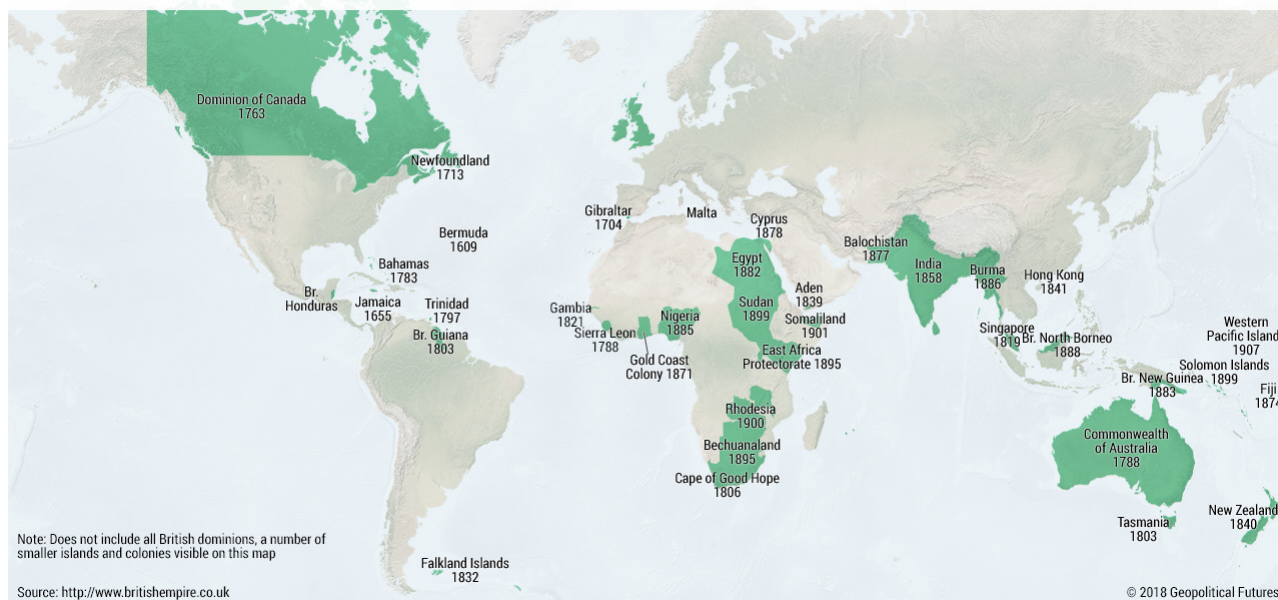
That's not to say William's conquest brought only peace and tranquility. If anything, the opposite is true. William internationalized London, and therefore England, in irreversible ways. London itself would be pivotal in the many hotly contested royal successions, peasant revolts and civil wars that would take place in the years to come. Writing about the English Civil War from 1642 to 1651, the great English philosopher Thomas Hobbes noted that "but for [London], Parliament could never have made the war, nor ever have murdered the King."

The same is true in more modern times. One of the foremost experts on Great Britain's geopolitics, Halford Mackinder, noted in 1902 that unlike those living other parts of the country, Londoners were "hybrids of the most intricate ancestry." According to the last U.K. census in 2011, 37 percent of London residents weren't even born in the U.K. – for the rest of the U.K., that figure is only about 9 percent. In other words, the interests of London differ from the interests of England. After the Brexit vote in 2016, Londoners were shocked to find that they lived in a country that wanted to withdraw from the EU, but there is nothing shocking about profoundly different world views between England and her capital city. That gap was hardwired into England's emergence as a nation.

Bridgehead Revisited

For the first several centuries of Britain's existence, much of the world used London as a bridgehead for invasion. But after the Industrial Revolution, when the British Empire reached the height of its power, London instead became a bridgehead for England to invade much of the world.

Major British Imperial Holdings, 1915 (And Year Acquired)



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The city had grown only more powerful since it became England's capital. The majority of British wealth and power became concentrated in southern England and, to a lesser extent, the Midlands, Britain's most fertile areas. The Greater London area was by far the richest and most populous simply because it was a trade hub for the country and, by extension, the rest of the world. By 1700, the city's population had grown to approximately 500,000 people. (The next

largest city in Britain, Bristol, had about 30,000 people, and the northern cities were poor and sparsely populated, much how they always had been.)

But as Great Britain became the British Empire, London took on even more importance. In some ways, London was the British Empire. And its rise can be attributed to two main developments. The first was the Glorious Revolution in 1688 – the last successful invasion of Great Britain by a foreign power. The installation of William III the following year brought political stability the likes of which England had never seen. This stability enabled Great Britain to consolidate control over the British Isles. In 1707, Scotland and the Kingdom of England (comprising England and Wales, which the English conquered in 1284) were joined into the Kingdom of Great Britain, and in 1801, fearing Irish collaboration with France, Ireland was brought into the new political entity: the United Kingdom of Great Britain and Ireland. With the establishment of English control over the whole of the British Isles, one of the great weaknesses of Great Britain had at last been overcome, and the stage was set for Great Britain to project power rather than to defend against it. Crucially, this meant London no longer had to fear the consequences of foreign conquest. More so than any other time in British history, it was secure.

But the far more consequential development was incidental. Great Britain went from existing on the edge of human civilization to being perfectly placed between the Old World and the New – and London, being Great Britain's main port, reaped the lion's share of the benefits. It was buffered by water from threats arising in mainland Europe, and it was the launching pad for forays into the unknown. It was thus able to invest its newfound wealth heavily into the development of the best navy in the world, which not only made its island fortress even harder to assail but also gave the U.K. an immense advantage in the global competition for imperial power.

As all this was happening, an industrial revolution was taking place inside Great Britain. Advances in agricultural technology enabled people around the world to live longer. The resultant population boom raised demand for virtually all goods. The consequences were many. At first, English farmers who worked in cottage industries could not keep up with demand, so huge factories were created to keep pace. Farmers in southeast Britain began to leave their homes for the cities – at first, mainly London – to seek better paying jobs. By 1801, London had a population of 960,000. By 1911, it had a population of 7 million. In short, London was at the vanguard of this economic revolution.

London became even more important in its role as Great Britain's main port. Great Britain simply did not possess adequate levels of raw materials to keep pace with surging demand. And so it began to import larger and larger amounts of raw materials from its imperial possessions. Even the imperial possessions it could not keep – namely, the United States – began trading with Great Britain on a massive scale. In 1784, the U.S. exported eight bags of cotton to England. (That is literally what the statistics say, without further clarification.) Within 15 years, the U.S. was exporting 40,000 bales of cotton to England each year, and by 1900, that figure had risen to

7 million. The story was much the same for other commodities like sugar and tobacco. British industrial power, centered in London, turned the country into an exporting powerhouse. By 1850, Britain was producing two-thirds of the world's coal and half the world's cotton textiles and iron, and London was its boom town.

London was not the only city to reap the benefits, of course. The internal landscape of Great Britain was revolutionized. By 1900, Glasgow, Manchester and Liverpool all had populations of over 1 million people. Northwestern England, before a relative backwater, became Industrial England, and new nodes of political and economic power that had not existed before sprang into being, the effects of which became truly apparent only in the decades following World War II. But in the 19th century, none came close to rivaling London's immense wealth and power. London, as during Roman times, was still Great Britain's great transshipment center – all roads, rails and sea lanes led to and departed from London. London was the main seat of political power and had also become a center of commerce – no other British city contained the expertise or location necessary for such a role. And London was also the largest manufacturing town in the country that had been the vanguard of the Industrial Revolution.

For more than 200 years, the British Empire, with its headquarters in London, was the most dominant power in the world. But in 1871, a new power rose on the European continent, a power that would come to threaten the U.K.'s hegemony: Germany. Not long thereafter, World War I came to Europe, and with it came the slow, steady decline of Britain's once indomitable empire. But even on the eve of World War I, after Germany's rapid rise, no city in the world could rival London's wealth, size or power. In 1900, London was peerless. And yet just 50 years later, the British Empire was coming apart at the seams, and London was in the throes of an identity crisis.

From 'Big Bang' to Brexit

After World War II, London was a shell of its former self. Not only had it been subjected to bombings from German forces, but within 10 years of the war's conclusion, most of what was left of the British Empire was either awarded independence or claimed it. London went from being an imperial capital with global ambitions to just another first city of Europe, caught in the crossfire of two non-European heavyweights: the United States and the Soviet Union. The U.K. could no longer manage the mainland from across the channel. Strategy dictated that it become an integral part of the European project emerging from the ashes of the war.

The U.K. kept many of the trappings of imperial power, of course. It developed nuclear weapons, maintained a relatively impressive military and held a permanent position on the U.N. Security Council. But in large measure, the U.K.'s fate became directly tied to Europe's fate, and no region of the U.K. could coexist as easily as London could as both capital of England and European hub. British power became metropolitan power, and London remade itself once again, as it had so many times in the past, to meet the challenges of the day. With all the ingenuity and cosmopolitanism it had acquired as an imperial capital, London built itself up at a dizzying

pace and became Europe's – and the world's – pre-eminent financial center.

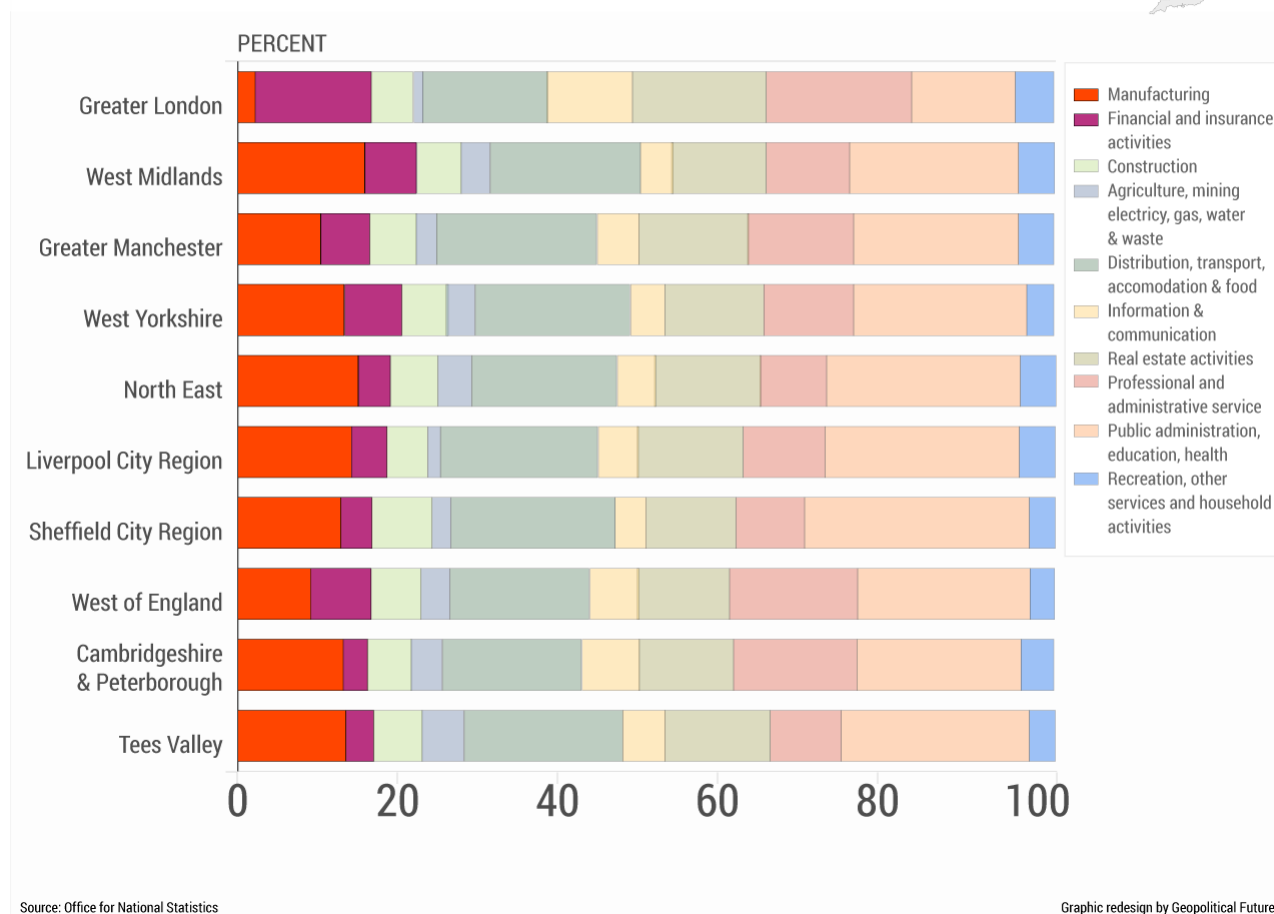
At first, London benefited largely from inertia. It did not become a global financial center overnight, nor did it become one because of a policy decision made after World War II. It regained its place as a global financial center precisely because London had been ground zero of the Industrial Revolution. Much of the infrastructure necessary for finance was already present in London, and compared to all other potential challengers, the regulatory framework was more predictable and friendly to investment in London than anywhere else in the world – including New York City, the financial capital of the new rising superpower. In relatively short order, it put its wealth of experience in global finance to work and so was able to recover from World War II more quickly than other European cities.

It wasn't easy to get there – the U.K. was heavily indebted until the 1960s – but when it did, it arrived with authority. It became a global banking hub, boasting the largest foreign-exchange market in the world, and it was already one of the world's oldest insurance markets. For the rest of the U.K., the sterling was used daily, but London profited from specializing in the trading of offshore currencies, especially dollars held outside of America.

Still, London would not grow into its role as global financial center until the end of the 1980s. Many ascribe London's ascent to the top of international finance to the "Big Bang" reforms of 1986, which altered the London Stock Exchange and turned the city into an innovative center of derivatives trading.

The Big Bang was certainly helpful, but there is no doubt that London soared higher than ever because of the Maastricht Treaty, which created the European Union as we know it and paved the way for the adoption of the euro. The United Kingdom never adopted the euro, but that didn't stop London from financially dominating the European Union. According to the House of Commons Library, financial and insurance services accounted for 7.2 percent (124.2 billion pounds or \$177 billion) of the United Kingdom's total gross value added in 2016 – a fairly small proportion in the U.K.'s overall economy. London, however, accounted for 51 percent of that total. In fact, when you compare industrial variation in total gross value added of U.K. combined authorities, London presents a much different picture than the rest of England. Roughly 14 percent of London's GVA came from the finance and insurance industry, while just 2.1 percent came from manufacturing. The opposite is true for every other U.K. combined authority.

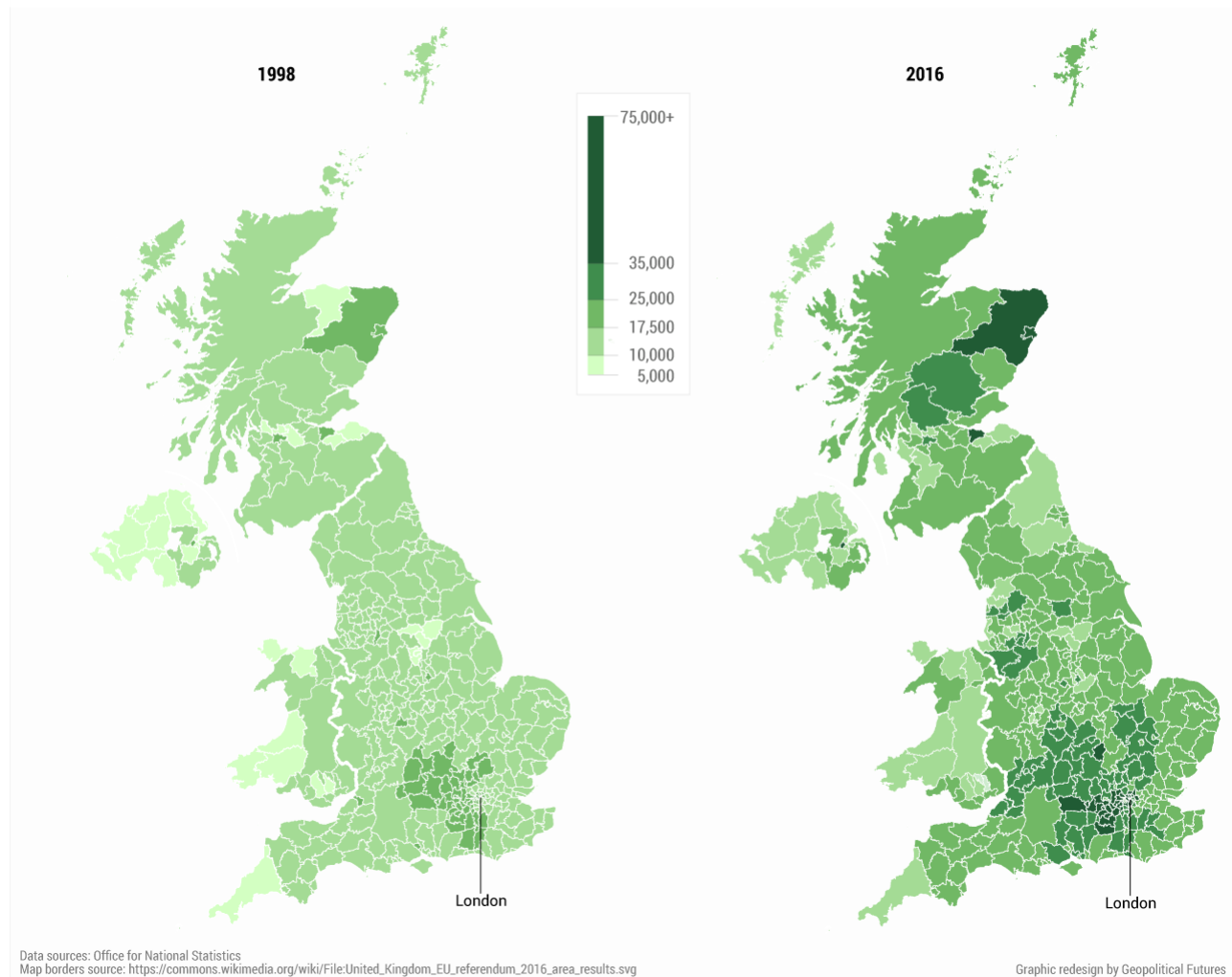
Industrial Variation in Total Gross Value Added



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Some 2.2 million jobs in the U.K. are related to financial and related professional services. About 47 percent of those jobs are located in London and in the southeast, according to TheCityUK. No other region of the U.K. sports a percentage higher than 10 percent; Wales and Northern Ireland boast only 4 percent. Moreover, the jobs in London are generally geared toward international finance, whereas in other regions they are focused more on British finance. The U.K.'s global value added per head has obviously benefited from its position relative to the EU – but here again, London has experienced those gains to a far greater extent than the rest of the country.

Regional Gross Value Added: 1998 vs. 2016



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But perhaps no statistic or chart can tell the story better than a simple table of the U.K.'s economic output by industry as a percentage of total British economic activity. Since 1990, manufacturing output as a percentage of the British economy has declined slowly from 18 percent to 10 percent. The finance and insurance services sector reached a high of about 9 percent before the 2008 financial crisis – but it was 6 percent of the economy in 1990 and just 7 percent of the British economy in 2015, according to the latest ONS Quarterly National Accounts figures. What this means in practical terms is that while Londoners have been acquiring more wealth (and have been contributing more taxes than any other sector in the British economy), the manufacturing industry in the rest of the U.K., and particularly in England, has declined.

Economic output by industry as a percent of total

YEAR	Agriculture	Mining and extractives	Manufacturing	Construction	Retail and wholesale	Transportation and storage	Accommodation and food services	Information and Communication	Finance and insurance	Real estate	Professional and support	Government, health, education and defense	Other services	Total services
1990	1	2	18	7	11	5	2	5	6	12	8	18	2	69
1991	1	2	17	6	11	5	2	5	6	13	8	18	2	70
1992	1	2	17	6	12	5	2	5	6	13	8	18	2	71
1993	1	2	16	6	11	5	2	5	6	13	8	18	2	71
1994	1	2	17	6	11	5	2	5	6	13	8	17	2	71
1995	1	2	17	6	11	5	2	5	6	14	8	17	2	71
1996	1	3	17	6	11	5	2	5	6	14	8	17	2	71
1997	1	2	17	5	12	5	2	5	6	14	9	16	2	72
1998	1	2	16	6	12	5	3	6	6	14	9	16	2	73
1999	1	2	15	6	12	5	3	6	5	14	10	16	2	74
2000	1	3	15	6	11	5	3	6	5	14	10	16	2	74
2001	1	2	14	6	12	5	3	6	5	14	10	17	2	75
2002	1	2	13	6	12	5	3	6	5	13	11	17	2	76
2003	1	2	12	6	12	5	3	6	6	13	11	18	2	77
2004	1	2	11	6	12	4	3	7	7	13	11	18	2	77
2005	1	2	11	7	11	4	3	6	8	13	10	19	2	77
2006	1	2	11	7	11	4	3	6	8	12	11	19	2	77
2007	1	2	10	7	11	4	3	6	9	12	11	18	2	78
2008	1	3	10	6	11	4	3	6	8	13	11	19	2	78
2009	1	2	10	6	11	4	3	6	9	12	11	20	2	79
2010	1	2	10	6	11	4	2	6	8	12	11	20	2	79
2011	1	2	10	6	11	4	3	6	8	12	11	20	2	79
2012	1	2	10	6	11	4	3	6	8	13	12	20	2	79
2013	1	2	10	6	11	4	3	6	8	12	12	19	2	79
2014	1	1	10	6	11	5	3	6	8	13	12	18	2	79
2015	1	1	10	6	11	5	3	7	7	13	12	18	2	80

Source: ONS Quarterly National Accounts, Q4 2014, Low level aggregates tables; based on nominal figures

Graphic redesign by Geopolitical Futures

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When London became the British Empire's political capital, manufacturing powerhouse, financial center and main distribution node all in one, there was little divergence between what was best for London and what was best for the rest of the United Kingdom. For all intents and purposes, London was the United Kingdom, and a rising tide lifted all boats. But since 1990, there has been a divergence between what is best for London and what is best for the rest of the United Kingdom. Such was the case before the U.K. was an empire. Ironically, because of the Brexit issue, London's interests are more aligned with Northern Ireland's and Scotland's than with the rest of England. Much of the tension surrounding the Brexit debate boils down to this very issue.

A Sterling Reputation

London's time as the undisputed king of European finance ended on June 23, 2016, when the United Kingdom voted to leave the European Union. There were many precursors to this change,

but one was more important than all the others, and it is perhaps the most overlooked: the collapse of the Soviet Union and the reunification of East and West Germany. Just as German unification in 1871 defined European history for decades to come, so too has Germany's second unification in 1990 defined Europe's future – a future that Britain could no longer control. Remaining in the EU would have meant subordinating British interests to German interests, and there was never going to be much of a future in that.

Since 1945, London has never aspired to be just a European financial center. It fashioned itself as a global financial center, and London became one before the euro existed. There is little reason to think this is going to change once the U.K. leaves the EU. A recent Financial Times survey found that international banks are preparing to move only 4,600 jobs out of the U.K. as a result of Brexit – just 6 percent of the total workforce in the financial sector in London, or just 2 percent of the total workforce in the financial sector in the entire country. The annually released Global Financial Centers Index still rates London as the top financial center in the world and rates London as the most competitive area to do business in terms of business environment, human capital, infrastructure, financial sector development and reputation.

It is this last category that is maddening to understand and that many dismiss out of hand, but it is in many ways London's greatest asset. Reputation is not an easy thing to quantify, but consider that last year in English commercial courts, a foreign party was involved in roughly 80 percent of the claims issued. In roughly 45 percent of all cases brought, all parties involved came from outside the U.K. That is a remarkable demonstration of the level of trust foreign companies have in English common law. The top competitors to London as financial centers are cities like New York, Singapore, Hong Kong and Tokyo, all of which pose more risk when it comes to local legal standards and government stability than London.

All of this puts London in a comfortable negotiating position. If in the course of Brexit talks the EU makes it difficult for its companies to conduct business with London, the British government could simply alter its tax laws to make it worth their while to remain in London. And then, free from the constraints of EU bureaucracy, London could reach out to Commonwealth nations for more than celebrations of shared cultural values and instead explore a wide range of partnerships that are currently blocked by regulations in Brussels.

Even so, in a vacuum, London's interests prior to the Brexit referendum clearly pointed toward remaining in the EU. London is no longer a manufacturing city, its sterling no longer rules the world, and it no longer enjoys the perks that came with being the capital of a large and diverse imperial system. The EU was easy money. But London is not just a money-making machine for foreign capital. London is still the capital of England and of the United Kingdom, and unlike in centuries past, London's share of the U.K.'s total population, while large, is no longer as overwhelmingly dominant as it was when Britain still had its empire. The immediate result of the Brexit vote was a rude awakening for the 60 percent of Londoners who could not fathom that a majority of their countrymen would support the "leave" campaign. But London has faced far

worse from continental Europe. Leaving it, in this context, is not so daunting.

The more daunting challenge emanating from across the channel is the reactivation of great power politics. The most disastrous periods in London's history have come when Great Britain did not have the power to repel foreign invaders. Ironically, the U.K.'s decision to leave the EU underscores a far bigger threat to London than international banks leaving the city or tough German negotiating tactics: the attendant conflicts and rivalries that have delegitimized the European Union, like forcing austerity upon Greece or Brussels-mandated refugee quotas. The EU is a heroic delusion – heroic because it has kept the continent from ripping itself apart for generations, and delusional because it believes this battle is already won.

Against these national forces, London is relatively powerless. Its fate rests in the hands of the nation it sustains, a nation that can in turn protect London only by maintaining old allies such as the United States and developing new ones in Europe and beyond. The fate of the U.K., meanwhile, depends on London's ability to find new ways to create and share wealth with future generations of British citizens.

For more than a thousand years, London has been the U.K., or some iteration of it. Though the two see the world differently right now, they can afford to. The future will not be as kind, and when that future comes, the interests of nation and city will be joined once more.