

Mansion House dinner speech 2019 – Philip Hammond

My Lord Mayor, Excellencies, Lords, distinguished guests, Ladies and Gentlemen,

It is a pleasure to be back here, in the magnificent setting of the Mansion House.

At least, I think it's a magnificent setting; our Chinese guests on Monday thought it was a magnificent setting. But apparently Sir John Summerson, a prominent architectural historian, described it as "a striking reminder that good taste was not a universal attribute in the 18th century!"

Probably says more about architectural historians than it says about this building!

This evening, inevitably, has a slightly retrospective tinge to it: This will be Mark Carney's final Mansion House speech before at last being allowed to retire as Governor of the Bank of England (I've headed him off twice on his previous attempts!).

And I want to thank him, on behalf of everyone here, for his six years of superb leadership in that role. Mark, thank you for your service.

And for me, too, there is now just a hint of uncertainty as to what the future may hold. And that's a good enough excuse for a moment of self-indulgent retrospection.

But whatever my future is, I can promise you I won't be doing it from an overpriced garden shed on wheels!

The world has changed over the last nine years...

...but the values and beliefs that we applied to the challenges we inherited in 2010 endure...

...and are just as relevant to the ones we will face in 2020.

A belief in Britain as an open, tolerant, outward-looking nation at ease in the world.

A belief in the market economy as the best way to deliver prosperity for all our people – but a belief, too, that that model must evolve and adapt to a changing world.

A belief in the power of enterprise – that the true strength of our economy and society lies in the innovators, the entrepreneurs, and the self-starters who take risks and drive growth.

A belief in a pragmatic politics that is open to compromise and that deals with the world as it is, not as we might wish it to be.

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That a paramount duty of Government is to ensure Britain's prosperity through the market economy and the prudent management of our public finances.

And that our four nations are more prosperous and successful when we act as one United Kingdom, working together towards common goals, based on the unique bond and shared values that have developed over centuries.

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Nine years ago, I stepped into the Cabinet Room for the first time – part of a team that faced the daunting challenge of rebuilding our economy and our public finances after the shock of the 2008 crash.

We have made significant progress...

...but the journey has not been easy: of the 23 full members of today's Cabinet, only three have served continuously since May 2010.

It is taking years for the full impacts of the crash to be felt.

So, while it is true that, ten years on...

... the economy has recovered...

...and we have fixed the public finances...

... some of the tensions that were exposed by the crash and its aftermath contributed to the Referendum shock in 2016 and the drift away from "politics-as-usual" since then.

In short, while we have repaired the public finances and re-booted our economy, we have not yet repaired our society and our politics.

My approach to Brexit has been shaped by the simple observation that no one, however passionate their views on Europe, voted to be poorer – so a successful Brexit in the eyes of the electorate must be a Brexit that protects Jobs, Businesses and living standards.

So, the next Prime Minister will need to complete the post-crash recovery process...

...by rebuilding confidence in our democratic politics and our market economy...

...demonstrating that it is capable of delivering an economy that works for everyone...

...where competition delivers for consumers...

...where businesses are sustainable and reflect the values of the next

generation...

...and where productivity-enhancing technology delivers better jobs and real wage rises for workers...

...as well as profits for investors.

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But I am an eternal optimist – so I reiterate that call tonight.

Because it doesn't mean that there would be no extra money to spend.

As I said at the Spring Statement, if we leave the EU in a smooth and orderly way, the fiscal headroom I have built up means an incoming Prime Minister will have scope for additional spending or tax cuts.

But there is a caveat: a damaging 'No Deal' Brexit would cause short-term disruption to our economy, soaking-up all the fiscal headroom we have built, and more...

...and while fiscal and monetary policy interventions could help to smooth our path to a post-No Deal Brexit economy, both could only be temporary...

...and neither could prevent the economy being permanently smaller, than if we leave with a Deal.

So, there is a choice: either we leave with No Deal...

...or we preserve our future fiscal space – we cannot do both.

The truth is, despite my somewhat hawkish reputation, I signalled in 2016 a more balanced approach, recognising the need to invest in our future, support our public services and keep taxes down – as well as controlling the deficit and starting to reduce the debt.

As the public finances have improved, I have committed over £150bn of new spending in the last 3 years...

...including an NHS settlement which is the single largest commitment ever made by a peacetime British Government.

Public capital investment is set to reach the highest sustained level in forty years...

...as we build the critical national infrastructure we need to raise our productivity;

I've committed £44bn to housing, delivering more new homes last year than in all but one of the last 30 years;

And I've cut taxes, with over 30 million people seeing their income tax cut this year;

288,000 people benefitting so far from the abolition of stamp duty for first time buyers;

And British businesses paying the lowest corporation tax rate in the G20.

All while seeing our national debt falling sustainably for the first time in a generation...

...and the employment rate at a record high and unemployment at a 40-year low.

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Yet one thing is clear: whatever happens with Brexit, financial services will remain one of our largest and most important industries.

Ten years on from the crisis, and in the midst of the Brexit debate, we need to articulate a vision for the future of our Financial Services industry and a plan for delivering it that will boost London's position as the world's leading international financial centre.

This sector has travelled a long way since the crisis, with wholesale reform of prudential and conduct regulation; higher capital requirements; and more robust resolution regimes.

But now it is overshadowed by Brexit.

We know that we must resolve our future relationship with the EU for our FS businesses to thrive.

The financial services industry was the first to make the case for a transition period...

...and it was the first to move, decisively, to prepare for the risk of "No Deal".

Government has responded – through our temporary permission regimes; the technical dialogues between the Bank of England and the ECB; and the onshoring of EU regulation.

And the Political Declaration jointly committed to an outline future FS relationship which avoids falling back on existing, largely untested, equivalence regimes.

But, important as Brexit is, it is a short-term challenge – and we cannot allow it to distract our gaze from the structural changes that will shape the future.

The single market did not create the city of London.

As I said here last year, the balance of the UK's FS trade will inevitably shift, as we continue to do business with the EU, but with future growth increasingly coming from the dynamic emerging markets beyond Europe.

London's position as the premier global financial services hub depends on our

ability to capture a share of these booming markets.

And it depends, too, on our ability to integrate the technologies of the future into our mainstream financial services.

In short, to remain a dominant player we in the UK must do what London's markets have always done: evolve. Refuse to stand still; reject the notion of the status quo; embrace change, disruption and challenge. Adopt, adapt and synergise enthusiastically and energetically. Radiate the energy and dynamism which distinguishes a real hub of innovation from its sterile imitators.

And we have a plan to do so, building on our long traditions of innovation, resilience, agility and openness to create a platform for the future.

We are seeing, all around us, unprecedented FS innovation.

As new businesses dismantle distribution chains, create new ways to serve the market, and meet demands that did not even exist a few short months ago.

The UK's Pro-business policies and the most innovative regulatory environment in the world have created the conditions for innovators and disruptors to thrive.

But as the first wave of FinTech innovation matures, we must now evolve our policy and regulation too, to make sure it remains fit for purpose.

So, I can announce this evening a Treasury-led review of the payments landscape bringing together policymakers and regulators to make sure that our regulation and infrastructure keeps pace with the dizzying array of new payments models.

And we will use the Government's "Smart Data Function", working with the FCA and Treasury, to build on the fantastic success of our Open Banking initiative with a new agenda for Open Finance – giving small businesses, as well as consumers, power over all of their financial data, so that SMEs will have access to financial tools hitherto only accessible to larger corporates.

At the same time, we must maintain our reputation not only as one of the most dynamic and innovative places to do business – but one of the most resilient too.

So the second step in our plan is to launch a major, long-term review into the future of our regulatory framework.

This review will deliver a regulatory system that continues to enable, rather than stifle, innovation...

...that protects consumers...

...maintains the highest possible standards...

...is proportionate and policed by independent regulators...

...and that recognises that the EU will continue to be one of our major trading partners...

...even as it lays the groundwork for the more global nature of our future financial services industry.

I have heard the message from business that there is a critical need for greater “air traffic control” to manage the cumulative impact of regulatory change emanating from different sources.

So, as we wait for the future relationship with the EU to be clear, the first phase of this review will take action to improve coordination between the regulatory authorities – starting with a summit of all the relevant regulators at Noll in a few weeks’ time, leading to a Treasury call for evidence before the summer.

We recognise that global challenges need a global response.

So, we will maintain our ambition to be the most open and outward-facing financial services market in the world.

Last year, I set out our plans for Global Financial Partnerships;

On Monday, I launched the new London-Shanghai Stock Connect – and Huatai, the first issuer, raised US\$1.54 billion, showing the phenomenal potential of this kind of cross-listing mechanism;

And tonight, I can announce the issuance of a second Sovereign Sukuk by the UK.

As well as openness to new business channels – we must also be open to international talent.

We’re embarked on an unprecedented year-long consultation on the post-Brexit migration regime, and I urge this industry to use this opportunity to make the case for a regime that meets the needs of its businesses.

And we’re shoring up our domestic skills regime too – and I welcome the interim report, published today, of the FS Skills Taskforce, ably led by Mark Hoban and CityUK.

Openness also means showing leadership on a global scale, as we use our deep capital markets and FS expertise to help meet the great strategic challenges of the 21st century.

As a first step, we’ve launched the new Impact Investment Institute, aiming to channel more money towards social challenges, as well as seeking a financial return.

The financial services sector will play a critical role in addressing the challenges of ageing populations.

But the biggest challenge of all will be mobilising financial markets in

support of this Government's commitment to achieve net zero carbon emissions by 2050.

The people in this room, and the institutions you represent, will be key to that effort...

...as we show that the immense power of this industry can be harnessed as a force for good; a key part of the solution to the world's problems.

As I contemplate the past nine years, there is much that we can be proud of. We defied the doom-mongers: Our economy and our public finances have been painstakingly rebuilt; our banking system has been recapitalised and made safe; our employment levels are at a record high, with wages, too, now growing sustainably.

But our politics is not in such good shape.

As we look ahead to a new set of challenges today it would be easy to be despondent about the divisions in our country.

But those divisions will heal...

...and as we look to the future, there is much about our country to inspire us.

Our institutions are strong and enduring;

Our legal system and our language dominate the world's commerce;

Our great universities and research institutes are generating world-beating IP;

Our entrepreneurs, our innovators, and our creators continue to punch way above our weight.

And in many of the cutting-edge technologies of tomorrow, world-class British companies lead the way.

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We can look ahead to a brighter future for our economy, our politics, our society and our country.

Financial services – one of Britain's biggest industries...

...but also a critical enabler for change...

...has a vital role to play.

I know you will rise to the challenge.

And I wish you all, all the very best for the future.

Thank you.