

# ROBERTSON STEPHENS

## AS THE BRITISH GO TO THE POLLS

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Jeanette Garretty  
Managing Director  
Chief Economist  
[jgarretty@rsadv.com](mailto:jgarretty@rsadv.com)

So much has been written about Brexit that anything additional probably serves no purpose other than to make the wall of noise louder, more gaudy, more obnoxious. Whatever the voting result, post mortems will be equally abundant and just as confusing, only somewhat more so in the case of a win by the “Leave” campaign, as this is really a jump into the great unknown.

Much of what I have been watching and reading makes me think of Daniel Kahneman, the brilliant author of the 2011 book *Thinking Fast and Slow*. One of the key premises of Kahneman’s work is that the human brain utilizes two distinctly different modes of thought, emanating from different parts of the brain. The System 1 mode is fast, emotional and given to relying on “rules of thumb” and “gut reaction.” The System 2 mode is more careful, thoughtful, analytical and slow. System 1 thinking requires less expenditure of energy and therefore, we being rational people, will be favored over the more energy intensive System 2 thinking. And, oh, by the way, when we “multi-task” we are not running two (or three or four) parallel processing systems in our brain but rather we are shifting frantically back and forth between System 1 thinking and System 2 thinking. No wonder that multi-tasking is more difficult to execute when we are tired, or over extended periods of time.

Kahneman’s book – which if you haven’t read, you should, especially if you are an investor – provides a number of prescriptives for how to keep System 1 thinking from interfering with the engagement of the System 2 thinking warranted for very complex subjects such as estate planning, portfolio construction, the chances of the Cubs winning the World Series and Brexit. If anyone in Britain absorbed Kahneman’s lifework – for which he, as a psychologist, won the Nobel Prize in Economics (delicious!) – it was indubitably the “Leave” Campaign. The appeal to those in Britain who still prefer to think of themselves as English was a master stroke of System 1 appeal. On the other side, the “Remain” campaign has had the unhappy task of explaining the complexities of globalization, comparative advantage, labor force management, technological change, and the dubious benefits of operating within an EU that itself was formed in a fit of System 1 thinking but is now managed with exactly the kind of plodding analytics that causes System 1 to declare victory over System 2 while dancing on a table and drinking (French) champagne. Even the most casual survey of comments by potential voters in Britain in the 11th hour reveals how many are saying “I don’t know, it’s all very confusing, I think I feel like voting (fill in the blank).” Analysis of the likely results from a vote either way seems to have very little to do with how people are going to vote. The British have been going back and forth between System 1 and System 2 thinking about Brexit for a very long time now and they are exhausted. I don’t blame them.

We understandably seek simplicity in a world that appears to be increasingly complex, even if we know, intellectually, it is a fool’s errand. Worse, however, is the reality that pursuing that simplicity can set us up for being scammed. The glib, the easy, the promise that everything can be as one used to remember it way back when before life moved so fast is emotionally satisfying, often to one’s detriment. A British poll by Opinium on Wednesday indicated that 34% of the population believes that the economy will be “about the same” whatever the election result, and that 55% believe that their personal financial situation will be unchanged. Bless them. And a pox upon the houses of all those economists and analysts who have failed to clearly explain why life is simply not that easy.

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