

## Britons' hard lessons on counterfactual thinking

Remain vote will lower risk of adversity

by Shumpei Takemori in Tokyo

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Barney Frank, the former US congressman famed for his role in promoting post-2009 financial regulation as House of Representatives financial services committee chairman, once commented: 'I envy academic people. They can talk about counterfactuals. There are no counterfactuals in politics!' Thursday's referendum will test the validity of the proposition.

Counterfactual thinking explores outcomes that might have happened if actual circumstances or policies had not arisen. A typical example might be this: 'Facing a serious economic slump after the 2008-09 crisis we adopted quantitative easing. The situation did not return to normal. Yet if this policy had not been adopted, it would have been worse.'

Behind CFT stands the 'piecemeal social engineering approach' well known in social sciences. This lays down that political choices should proceed along pragmatic lines based on trial and error and learning from past mistakes, rather than on strongly defined ideological doctrines.

Past British decisions on the EU have shown an exemplary regard for this approach. However, the politics of the referendum could change all that.

The UK has wisely opted out of Europe's single currency and the Schengen border-free arrangements. A classic case of CFT in practice. As a result, the country could escape the worst of the euro and immigration crises. Britain's membership of the single market, on the other hand, has made it a preferred destination for foreign investors seeking to launch business in continental Europe. So the UK hitherto could have the best of both worlds.

For myself as a Japanese economist with a good knowledge of foreign affairs, the British people on referendum day should continue to be guided by CFT and vote for Remain. That way, they will lower the risk of adversity.

There is one big problem. CFT stands opposed to the popular antiglobalisation rhetoric espoused by many Leave campaigners. Direct democratic procedures such as referendums are not conducive to the intelligent use of CFT. Cameron committed a historic blunder by proposing the EU referendum in the first place, thereby putting the world economic order at risk.

The anti-Cameron headwinds in opinion polls are partly a result of the wider public belatedly realising this mistake. Instead of careful piecemeal consultation between parliamentarians, the general public must decide the fate of the country in a single vote, on the basis of (mis)information and prejudice.

The British public already is sensitised to some negative CFT outcomes through the 'fear' campaign of the Remain camp, postulating all kinds of unsavoury outcomes if the UK departs.

After 23 June, if the electorate votes to leave the EU, the British public will finally learn CFT the hard way: by actually living through the dire counterfactual consequences. I hope this won't be the case.

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This is No.99g in the series.

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