

# Does the UK population really live as if tomorrow does ...

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Larry Elliott [has written in the Guardian](#) this afternoon that:

*The history of EU negotiations is that victory is snatched from the jaws of defeat with an agreement made at the very last minute. With the eurozone economy not in especially good health, there is no real appetite in any European capital for a no-deal outcome. Clearly, it makes sense to be prepared for all Brexit outcomes, but the public has yet to take seriously the more lurid warnings of apocalypse to come.*

He adds:

*Expert forecasting is discredited. Life is a bit better than it was a year ago. There is still an expectation that London and Brussels will orchestrate a political fix. For all these reasons, people don't really believe that at the end of March 2019 there will be no food in the shops, hospitals will be running short of medicines and that planes will be prevented from flying. A no-deal Brexit is seen as another millennium bug.*

This is a view that sharply contrasts with the concern of the young person [I referred to this morning](#). But I am not disputing Larry's opinion: maybe an informed young person is not typical of the population at large. I am wholly open to persuasion on that point.

But let's look at this another way. Economists assume that the rational person manages their expectation of the future by applying risk factor appraisal as appropriate and an interest discount to allow for the passage of time before the event might happen.

Let's consider three possibilities.

The first is that we are not dealing with rational people.

The second is that those people have a poor capacity to appraise risk, even when presented with what appears to be quite strong evidence.

And third, let's presume that the discount factor that they apply to the future is very

high indeed: events seven months away are so remote that they have almost no significant value attached to them as a consequence.

What is the chance that all three assumptions are right? I'd suggest the first is high on certain. The second appears extremely likely. That's not a criticism. It's just that the tools people are taught to use by supposed experts are so bad that this is the inevitable outcome. Dire economic theory has translated into a population unable to appropriately appraise economic risk.

And the third? Time and again we see the evidence all around us that people have almost no understanding of time preference and instead almost entirely dismiss the predictable future consequences of their own actions. It may be entirely appropriate in that case to presume that their discount rate for the actions of others is even higher still: they assume tomorrow just will not happen and live for the day. Economic mindfulness is a reality for many.

If that's true then it has serious things to say about the way we live.

But it also means that if there is a Brexit disaster of the scale that is imaginable by those who devote time to the issue then the scale of the shock could actually be even bigger than expected, precisely because so few will have realised it will be coming, and their present (at that time) will be much more severely disrupted than most might possibly expect right now.

To put it another way, their rate of change in expectation when Brexit arrives may be very high indeed. And that means their anger will be greater than we might rationally forecast at present. Which also means the risk of backlash is greater than we might forecast at present. All of which says that the incentive to pull a much better deal out of the bag than many who do think about these things currently expect is very high indeed - even if there won't be massive thanks for doing so. The political payback for disasters averted is not that great. But it remains an imperative nonetheless because that's what politicians should be in that game to deliver, come what may.

But will they deliver? Let's hope Larry is right. Let's just hope that at the last minute sense might be seen.

I just wish I did not need to make such an assumption. But I have to because I am, maybe, too rational; maybe too able to appraise risk, and maybe don't discount the future. But who's to say I'm right because I do such things?