Courtesy of Yoram Bauman at <http://www.standupeconomist.com/>. Yes he really does have a PhD in economics.

<http://www.youtube.com/watch?feature=player_embedded&v=VVp8UGjECt4>

OR

<http://youtu.be/VVp8UGjECt4>

**10 Principles of Economics (Transcript)**

**By Yoram Bauman [yoram@standupeconomist.com]**

**URL:** <http://www.standupeconomist.com/videos-public/>

*(Permission granted to use clip 9/26/2010)*

**TRANSCRIPT**

**(Except for frequent laughter from the audience, Yoram Bauman is the only speaker on this clip.)**

**(Screen reads:**

**Mankiw’s Ten Principles of Economics, Translated.**

**By Yoram Bauman,PhD.**

[www.standupeconomist.com](http://www.standupeconomist.com/)

**AAAS Humor Session**

**February 16, 2007)**

**(Screen fades to show Dr. Bauman speaking at podium. A PowerPoint presentation is in the background.)**

**Great. So the best selling textbook - economics textbook - in the country is by N. Gregory Mankiw. Based on these ten principles of economics.**

**And here they are – I’m not going to read them for you. Just take my word for it you need a PhD in economics to understand these. Fortunately I have one.**

**And I’ve taken it on myself to translate these principles for the uninitiated.**

**Let’s begin by separating these by the first seven principles, which are microeconomics, and the last three, which are macroeconomics. The difference of course being that micro-economists are people who are wrong about specific things, and macro-economists are wrong about things in general.**

**The macro-economic principles all have the same translation, mainly “Blah blah blah.”**

**As proof I should only remind you that macro-economists have successfully predicted nine out of the last five recessions.**

**And as further proof, we can now go up one font size. As Einstein said, everything should be as simple as possible, if not simpler.**

**OK, then back to micro-economics.**

**The first one: People face tradeoffs. Translation: Choices are bad. ’Fraid so. This is a simple syllogism. Tradeoffs are bad. Every time you have a choice you have a tradeoff, therefore choices are bad.**

**If you don’t understand that, look at principle two: the cost of something is what you give up to get it.**

**Translation: Choices are really bad.**

**Let me give you a simple example of this. Let’s say someone offers you a Snickers bar. If you value it at a dollar, right so, your economic profit in this case is the Snickers bar, minus the cost of what you give up to get it, which is nothing. Your economic profit is a dollar.**

**Now if someone offers you a choice of a Snickers bar, which you value at a dollar, and some M&M’s, which you value at 70 cents. Now your economic profit is the dollar, minus 70 cents. Only 30 cents.**

**You begin to see why choices are bad.**

The worst possible situation in fact would be someone offering you a choice between a Snickers bar, and an identical Snickers bar.

Now people who are not trained in economics might think that that’s no different from being offered one Snickers bar, but that sort of sloppy thinking will never get you a tenure track position.

Three – let’s simplify this.

Choices are bad - really bad. If you don’t understand why choices are bad, you’re probably stupid.

Next principle : Rational people think at the margin. Translation: People are stupid.

Now it is immediately obvious, to the most casual observer, with the meanest intelligence, that people do not think at the margin.

Nobody goes to a grocery store, and says I’m going to buy an orange. I’m going to buy another orange. I’m going to buy another orange.

But if people don’t think at the margin, and if as **Mankiw** says, rational people do think at the margin, we are led to a most unhappy conclusion. People are not rational. People, in other words, are stupid.

But don’t fear for the fate of humanity yet. Take a look at the next principle: People respond to incentives.

Now the dictionary says that “incentive” is a noun that means something that influences to action. Synonym: motive.

So that what **Mankiw is saying here is that p**eople are motivated by motives, or that they are influenced to action by things that influence them to action.

Now you may think this is a bit like saying that tautologies are tautological, right? I mean, people would have to be pretty stupid to be unmotivated by motives. Or to be influenced to inaction by things that influence them to action. Right?

But remember principle three: People are stupid.

Hence the need for principle four to convince us that people aren’t that stupid.

Great.

So, simplifying again, let’s move on to free trade, our favorite topic.

Principle five: Trade can make everyone better off. Translation: Trade can make everyone worse off.

I have a proof that will blow your mind of this fact. Here we go.

Compare the following two statements.

One is: “Trade can make everyone better off.” The other is : “Trade will make everyone better off.”

If you had to chose between those, it’s no contest. Claim number two is better. But **Mankiw uses claim number one.**

**And there’s only one explanation:** Claim number two has to be wrong.

In other words, trade can make some people worse off. And it’s just a hop, skip, and a jump from there to “Trade can make everyone worse off.”

Some people apparently didn’t like this deconstructive proof, or destructive proof, they wanted a constructive proof, so I added this footnote. There are the details.

(Screen shows twelve lines of very, very small print at the bottom of the PowerPoint slide. Audience laughs.)

Now notice the final two here: Governments are stupid and Governments aren’t that stupid, follow from principle five and it’s translation.

If trade can make everyone better off, then what the heck do we need government for? But if trade can make everyone worse off, we better have government around to stop people from trading.

Here are the principles of economics translated, and there’s my website: the standup economist.com.

Thank you for your time.

(Applause.)