Intro to Economics: Crash Course Econ #1

Crash Course: Economics
https://youtube.com/watch?v=3ez10ADR_gM
https://nerdfighteria.info/v/3ez10ADR_gM

=====Intro Feat. the Muppets=====

Mr. Clifford and Adriene: Hi, I'm (names) and I'm the host of CrashCourse economics. Stan!

Stan: You're a team! You're co-hosts.

Adriene: All right, awesome.

Mr. Clifford: Yeah, whooo!

Adriene: Well anyways, we're making our CrashCourse economics series at the YouTube space in lovely Los Angeles California because Mr. Clifford and I are both from Southern California.

Mr. Clifford: Yeah.

Statler: Who are these no-names!?

Waldorf: Where are the Green brothers? If there aren't any Greens I'm unsubscribing.

Statler: Wh-- how can you unsubscribe? What is this, some kind of a moving newspaper?

Mr. Clifford: Did we just get heckled by the muppets?

Adriene: It sounds like it.

Kermit: Hey guys, hey guys listen, don't feel bad about not being green, OK?

Adriene: (excited squeals) It's Kermit!

Mr. Clifford: That's crazy!

Kermit: Hi guys, uh listen, being green is great and everything but being Adriene and Mr. Clifford well, that's great, too! In fact, you know guys, it's not easy being green. I think I could sing a song about that.

Adriene: Can I sing with you?

Kermit: Oh course, yeah.

Adriene: This is a dream.

Mr. Clifford: No, no, no, we can't afford the licensing agreement for that song guys, economics. Sorry.

Kermit: Oh. Well, in that case, why don't you guys just introduce yourselves.

Mr. Clifford: OK. I'm Mr. Clifford and I'm a high school economics teacher and YouTuber and I'm going to focus on teaching you the theories and graphs of economics. You know, the textbook stuff.

Adriene: And I'm Adriene Hill, I'm a senior reporter for the public radio show Marketplace and I'm gonna focus on showing you the real world applications of economics. You know, the good stuff. The really fun stuff.

Mr. Clifford: Hey! We're both fun! We're definitely not gonna teach economics like this:

Prof. Bunsen Honeydew: Welcome to CrashCourse Economics (Beaker yawns) I am thrilled to be teaching you this fascinating subject. (Beaker moans, Bunsen hits him)

Mr. Clifford: I'm sorry Professor Honeydew, but that's why people hate economics in high school and college.

Adriene: Anyway, Statler and Waldorf have a point, the most important question in economics is "Where's John Green?" I mean everyone knows he won a bronze medal in economics at the Alabama State Academic Decathlon. Well John Green isn't hosting because economics. We'll explain later.

(CrashCourse intro plays)

===== What is economics? (1:45) =====

Mr. Clifford: So let's start with the basics. What is economics? Well it might be easier to term it what economics isn't. Economics is not the study of money or getting rich, although understanding economics can help with that. Economics is not the study of the stock market. It's just not. Economics is not primarily about men in bow-ties forecasting what will happen in a given market or the overall economy. Actually, a few economists do that, but that's not the main focus of economics.

Economics is the study of people and choices. The famous economist Alfred Marsh defined economics as "A study of man (Adriene: and woman!) in the ordinary business of life. It inquires how he gets his income and how he uses it. Thus, it is on the one side the study of wealth and on the other and more important side a study of man (Adriene: And woman)."

Adriene: So let's talk a minute about what else econ is. Economics is an 18 year old deciding whether to work or go to college and how that affects her future income. Economics is a company deciding whether to produce smartphones or tablets and how that's influenced by what we consumers want to buy. Economics is the government deciding whether to increase its spending when it's a recession and if it's worth going into debt.

So despite what you might think, economics is not boring and dull. OK, some of it is, but it's not all like that I promise! It's awesome. Understanding econ can forever change the way you think and problem-solve. Our job over the next 40 weeks is to teach you concepts that will help you understand the world, and hopefully make it a better place.

===== Opportunity Cost and Cost-Benefit Analyses (3:12)=====

No matter who you are, you will be using economics. In fact (mind blown) you are using econ right now, you made a choice to watch this video, that means you must feel that the benefit outweighs the cost. You might be thinking "This is YouTube, there's no cost," but sure there is. You could be watching videos of kittens or skaters falling on their face or charlie biting fingers (ow). The cost of watching this video is the video you're not watching, the value of the next best alternative.

Economists call this your opportunity cost. If you're still watching this video it means that you believe it's the best use of your time, or you wouldn't be watching it. "But what if I'm watching this at school," you ask, "What if I'm forced to watch this?" Well, you weren't forced to go to school, you could ditch, you could drop out, you could move to a country that doesn't have compulsory education. But the cost would outweigh the benefit. Even if you are at school, you're not forced to watch the video, you could close your eyes or put your head down. No one's gonna pry your eyes open, that's be creepy!

Now let's talk about why John Green isn't here teaching this course. John is an entrepreneur, he writes books, runs DFTBA, Vlogbrothers, and Mental_Floss and creates movies, but he can't do everything he wants to do. He looked at the benefits and costs of his choices and in the end decided to spend more time writing books, so Mr. Clifford and I are jumping in to teach you economics.

Mr. Clifford: And believe it or not, we just covered the two most important assumptions in all of economics. First, the idea of scarcity. People have unlimited wants but limited resources, and second, everything and I mean everything has a cost. And if these assumptions are true, then we need a way to analyze our choices and get the most from our limited resources. And that's economics.

Adriene: Wait, but let's go back to the idea of benefits and costs. About 30,000 people a year die in car accidents in the US. Is there a way to ensure there will never be another traffic fatality? Yes! We can crush all the cars, close all the roads, and force everyone to walk. That would solve the car crash problem. Do you want to decrease the number of people convicted of murder? You could decriminalize murder. You want to end the unethical treatment of elephants? You could kill off all the elephants, in an ethical way of course.

But before you decide to tenderly euthanize herds of beautiful elephants, think about it for a second. Each of these solutions is absurd because the cost clearly outweighs the benefit. Traffic fatalities are tragic, but we don't prevent them at all costs. You know that driving has risks, that you might get in a car accident, but you still drive. Well first, who's gonna walk to the gym? And walking home with groceries in the rain is way worse than the teeny-tiny chance of dying in a car crash. The point is, individuals, businesses, and countries can't have everything, so they're forced to weigh the benefits and costs of their decisions and make choices.

Let's look at another example. Military spending in the United States is over 600 Billion dollars per year, that's close to what the next top ten countries spend combined. There're a total of about 20 active aircraft carriers in the world and the US has half of them, and it's building more. The opportunity cost of those aircraft carriers could be hospitals, schools, and roads. So, is the US spending too much on the military? Should the US focus on making guns or butter? That is, weapons or consumer goods?

Mr. Clifford: And notice the key word here is "or," we can't produce an infinite amount of weapons AND consumer goods because we don't have an infinite amount of workers and farms and factories and raw materials. Scarcity means we must make a choice. The American president Dwight D. Eisenhower explained this best in 1953 in a speech about Cold War military buildup.

"Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children."

===== Economics and Politics (6:43)=====

And this is a good time to mention the role of politics in economics, we're not pushing some liberal anti-military policy here. We're just pointing out that military spending has an opportunity cost: The resources not being used for social services like feeding the hungry.

We're gonna try not to push a political agenda on you. We're gonna show you both sides and let you decide which one's best. So please don't say "Mr. Clifford loves capitalism, so he's just a pro-business conservative," or "Adriene's talking about environmental regulations, so she's an anti-business liberal."

Yeah, we are pro-business and you are too. I mean, where do you think your computer came from? That computer was brought to you by capitalism and the private sector. But that being said, the security and laws, roads, and that traffic ticket you got the other day came from the government.

Conservatives and liberals fight over the details, but the free market alone can't solve all of our problems. And the government can't solve all of them either. Government officials use economic theory to guide public policy, their effects are widespread and affect millions of people. Sometimes a theory is flawed, but many times a policy is flawed. Economists adjust theories supported by data and understanding of incentives. Having the right incentive is key.

=====Incentives (7:40)=====

Adriene: But the right incentives can be hard to figure out. Take for example public colleges and universities. Many of them used to get state money for each student they enrolled. That meant universities had financial incentives to focus on recruiting as many students as possible, but not actually helping them succeed once they were in class.

So states have started changing the incentives. Now, more and more states reward schools for the number of students that complete courses or earn degrees. And in some places this has worked, it's helped schools increase their graduation rates by shifting money from marketing budgets to programs to help students do better, but those incentives can also backfire if they're poorly designed.

A university that gets money for graduates could push students through the program without giving them a good education. It might want to only admit students who come in with super high test scores, instead of considering other factors that might make them good candidates. It might push students into less-rigorous majors.

But incentives can help solve problems without adding more resources. You just have to get the incentives right. Many non-economists assume that the way to improve things like healthcare is to spend more money.

Economists would point out that the US already spends almost twice as much per person as other rich countries, and in many cases they get worse health outcomes. Economists would also say that rather than spending more money, we need to make sure that insurers, doctors, hospitals, and patients have incentives to produce the most effective care possible at the lowest cost possible. The point is, if you mess up the incentives, the policy's not gonna work.

When Vietnam was under French colonial rule, the regime issued a bounty on rats to exterminate them, giving money to people for handing in rat tails. I guess because poles off rat bodies were too gross. The plan backfired. To make as much money as possible, the rat-catchers cut the tails off the rats and released them, allowing them to make baby rats. The policy actually increased the rat population. It made things worse. (eek)

We'll talk more about this idea of perverse incentives in another video, when we talk about the 2008 financial crisis. (eek) again. For now, let's go to the thought bubble.

===== Macroeconomics vs. Microeconomics (9:40)=====

Mr. Clifford: Speaking of 2008, people sometimes criticize economists asking "Why didn't they predict the 2008 financial crisis?" or, "why can't they agree on what the government should do or shouldn't do when there's a recession?" These criticisms fail to distinguish between macroeconomics and microeconomics.

Specifically, all these complaints are about macroeconomics. Macro studies the economy as a whole, it looks at the whole nation's output, unemployment, interest rates, government spending, and growth. Macro answers questions like "Will unemployment rise if there's an increase in taxes?" "Will and increase in the money supply boost output or just increase inflation?" "Will a slump in European economies cause the US economy to slow down?"

Macroeconomists get more airtime because they predict the direction of the overall economy, and work with the media and businesses and congress and the Federal Reserve, but less than half of all economists are macro economists, there's a whole other side of economics that look at different questions. "How many workers should we hire to maximize profit?" "If our main competitor releases their product in May, when is the best time to release our product?" and "which is better for fighting climate change, a gas tax, or increase in fuel efficiency?" These are all microeconomic questions. They're not about predicting GDP, or measuring unemployment, but they are crucial questions that economists must answer. Also, if you don't know what GDP is or what a high or low unemployment rate is don't worry, we'll get there.

So macro and micro-economists are two different groups asking different questions under one academic umbrella. If economics was biology, macroeconomics would be ecology while microeconomics would be cell biology. If economics was physics, macro would be cosmology and relativity while microeconomics would be Newtonian mechanics.

=====End (11:05) =====

Thanks Though Bubble! Stan, I've always wanted to say that. Now I can cross it off my bucket list. Now I have "ring the opening bell at the New York Stock Exchange," "arm wrestle Ben Bernanke," and "swim in a giant pool of money like Uncle Scrooge."

Adriene: Obviously we're glossing over the details, but we promise to cover everything in the next 40 weeks from supply and demand to monetary policy, we'll cover it all. Except for maybe the giant pools of money. We can't promise you that learning economics will make you wealthy, but we can promise that learning economics will enlighten your mind and make you a more informed decision maker. And that makes us all better off. Thanks so much for joining us. We'll see you next week.

Mr. Clifford: Thanks for watching CrashCourse Economics. It was made with the help of all of these nice people. They work on the show because there's financial and implicit benefits that cover their opportunity costs. Now, if you want to help them with those financial benefits, consider going over to Patreon. It's a voluntary subscription platform that allows you to pay whatever you want monthly to help make CrashCourse free for everyone, forever. Thanks for watching, DFTBA.

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