It’s rather easy when talking about economics to get lost in the ‘science’ side of the dismal science. Charts and graphs, tables of numbers, calculations of marginal utility and opportunity cost – all of these things can sometimes blur the social side. But the social side is where the drama and the conflict and the humor and the warmth and the real people with real feelings live. So, with an eye towards the very ‘social idea’ of the summer blockbuster, it seemed appropriate to look at some additional examples from the popular arts were the story, be it serious or humorous, lay. This month’s offering can be thought of as one of those ‘flashback episodes’, so common on episodic television when both budget and schedule were biting (although neither are active here), where a mix of old and new material is there to enjoy.

## Broken Window Fallacy

One of the first deep economic thinkers to follow in the footsteps of Adam Smith was Frederick Bastiat. Bastiat wrote against lazy economic thinking and is most famous for refuting the [broken window fallacy](https://en.wikipedia.org/wiki/Parable_of_the_broken_window), which erroneously states that destruction is useful for an economy. This position is whimsically examined in the following scene from the movie The Fifth Element.

\*\*fifth element video\*\*

While the movie does raise a philosophical objection to this stance, the actual, logical refutation looks at opportunity costs and is brilliantly presented by Bastiat in his 1850 essay *That Which We See and That Which We Do Not See*. This refutation is extended and amplified in the earlier blog [Save the Economy: Nuke a City](http://commoncents.blogwyrm.com/?p=182).

## Principal-Agent Problem

The [principal-agent problem](https://en.wikipedia.org/wiki/Principal%E2%80%93agent_problem) is the economic phrasing to describe the resentment that often arises between the entity funding an activity (the principal) and the entity being paid to follow through on an activity to completion. It is an essential backdrop in almost every employment scenario and hinges on the devaluation by one side of the efforts of the other. The example here is taken from the story [A Tree Grows in Borneo](https://www.comics.org/issue/9420/#85123) published by EC Comics in Crime SuspenStories #9, in 1952.

\*\*EC comics\*\*

Two small panels manage to succinctly convey the central conflict – a conflict familiar to each of us even if the economic labeling is not.

## Moral Hazard

A [moral hazard](https://en.wikipedia.org/wiki/Moral_hazard) is an economic incentive that tends to promote riskier behavior because the person enjoying the incentive is now relieved from the need to bear the full cost of the risk himself. Common in the insurance market, the full scope, and humor, of the hazard is brilliantly on display in John Joseph’s Rental Car comedy bit.

\*\*John Joseph video\*\*

Adverse Selection

“Adverse selection occurs when, due to a lack of information (called [information asymmetry](https://en.wikipedia.org/wiki/Information_asymmetry)), the wrong type or class, defined as having characteristics not well suited to the demands of the market, is favored by the incentives of the market.” That very dry quote from an earlier post ([Adverse Selections and Moral Hazards](http://commoncents.blogwyrm.com/?p=1040)) hides the drama found whenever a transaction is offered or sought where trust is needed. The following scene, from the movie It’s a Wonderful Life, illustrates this for the $8000 loan sought by the hero of the story, George Bailey, from the town’s bank, Mr. Potter.

\*\*Loan video\*\*

Of course, Potter is cast as a miserable, wicked miser but the questions he asks are still valid. Does the borrower really have the need he claims and will he use the money for the intended purchase. And the borrower also has the question about just what type of person is the lender. Of course, the movie as a whole is a wonderful study in the economics of the financial markets.

The Fallacy of the Labor Theory of Value

One of the most important and central points of economics is that value is not an objective measure but depends on the situation and on the preferences of the people involved. Much of this topic is covered in depth by the earlier post [Value and Trade](http://commoncents.blogwyrm.com/?p=198) but it is worth pointing out that there is often a lot of comedy surrounding this undeniable truth – a truth that most people, nonetheless, deny when it applies to them and their particular situation.

In our first clip, we find the bumbling Broadway producer Max Bialystock in the aftermath of the opening night of his musical about Hitler and World War II. Looking to put on a surefire flop so that he could scam a fortune from his invester pool of little old ladies, Max is left pondering how things could have gone so right.

\*\*Where did I go right\*\*

For our final look at the concept of value in the popular arts, consider the oft-mismatched newlywed couple of Paul and Corie Bratter in Neil Simon’s wonderful play/movie Barefoot in the Park. Corie, the free spirit, has secured their first marital home on the 5th floor of a building with 6 flights (everybody counts the front stoop) and no elevator. The apartment, consisting mostly of 2 rooms and a bathroom (with no tub), comes complete with drab walls, no heat, and a hole in the skylight that will let them see the city’s first snowfall of February before anyone else does. When Paul gets his first look at it (he only saw the model on the third floor) he is clearly disappointed. Corie, using all her persuasive charms, tries to convince him that “it will be beautiful” until a surprise visit by her mother changes the tenor of the conversation from sultry to panicked.

\*\*Hard to swallow\*\*

Having convinced Paul to lie to her mother that the rent is $75.63/month, including gas and electricity, we have a to wait a bit before we see Paul in action. As Corie sends Paul out to get some scotch and cheese to entertain their guest, Corie’s mother ask Paul how he likes his new home.

\*\*75.63 video\*\*

So, there you have it. Despite what is often dry and boring analysis, there lurks under the exterior of all economics the exciting stuff of life – a little drama, a little humor and all of it definitely human.