1001 MICRO NIGHTS: 
TEACHING AS STORYTELLING*

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ABSTRACT

Good teaching ultimately boils down to good storytelling. All the technology in the world will do little to help, if you fail to have a compelling story to tell and the ability to tell it. By using the example of an introductory Microeconomics class, this paper demonstrates how what is often viewed by students as a course lacking any appeal can catch those same students’ interest. To do so, the course needs to be transformed from one that dispenses information to one that tells the story of how prices are used to coordinate individual activity, namely the story of markets. Successful storytelling is essentially about taking chances. Only by doing so can any one teacher hope to arouse a class’s interest and allow that teacher to impart successfully some sense of economic intuition. The problem with the sort of cookbook approach beloved by administrators is that it leaves not the slightest impact or mark on the students themselves. The paper concludes that each lecturer needs to find the courage to discover his or her inner Scheherazade and by doing so retain both one’s head and one’s heart.

Keywords: microeconomics, storytelling, opportunity cost, pedagogy.

JEL classifications: A20, A22.

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1. INTRODUCTION

Tell me what thou dost want of me; here am I, thy slave, and the slave of him who holdeth the Lamp.

(Lane-Poole (tr.) 2001/1909-1914, para.18 Appendix)

Many of us may recall, at least in some vague way, the story that frames the 1001 Arabian Nights. A powerful Caliph has been disappointed by the infidelity of his first wife. Heartbroken, he vows never to suffer the same fate again. His fail-safe remedy is to first marry a virgin, thus insuring a total absence of deceit. Then the very next morning, after the marriage has been consummated, the bride is decapitated guaranteeing that any subsequent unfaithfulness will never arise. Such measures effectively solve the problem of infidelity, but as any good economist would point out, they would also wreak havoc on the local supply of eligible virgins. The market would essentially fall into total disarray. Clearly the prevailing situation was ultimately unsustainable and something had to be done to end the disastrous pattern.

Fortunately, the brave daughter of the Grand Vizier, a young woman named Scheherazade, volunteers to marry the Caliph. She may have been brave, but that doesn’t mean that she was entirely foolhardy. She proved willing to take the risk because she formulated a plan which she believed would stop this nightly depletion of the kingdom’s dwindling stock of virgins.

Ultimately Scheherazade was successful. Perhaps the driving incentive behind her accomplishment was the high opportunity cost of failure. Her plan in retrospect might appear to have been effectively simple, but it is based on a solid understanding of human nature. She instinctively realized that humans are storytelling animals. Aristotle might have insisted that humans are defined by being political animals, but if closely observed, they turn out to at least equally belong to the storytelling genus. People apparently all love to stop and listen to a well told tale that takes them away from their everyday life.

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1 Certainly some of the individual tales boast greater familiarity than the collection itself. Aladdin (the boy with the magical lamp) for instance has been retold in countless versions and distortions as well as in the Disney-fied animated feature which boasted the late Robin Williams voicing the genie of the lamp.

2 There is actually a distinct relationship between the two definitions. People are essentially gregarious, one aspect of such behaviour being the desire to entertain and inform one another through the means of storytelling. The other aspect is the need to live in governed societies exemplified by the Greek polis or city state. But the state itself is
It is by playing on this deeply rooted desire that Scheherazade manages to save her life and boost the expected life spans of the kingdom’s remaining virgins. Each night she would commence a tale but deliberately refrain from bringing it to a conclusion so that the Caliph would spare her life in order to hear the ending on the following evening. Whereupon the wily Scheherazade would finish the story she had commenced the previous night and begin a new one which would in turn go unfinished so that she would be called back yet again. She proceeds in this manner for 1001 nights until the Caliph, either by this time deeply in love with the young woman, or completely addicted to her storytelling, decides to spare her permanently. Upon this news, the few remaining virgins in the kingdom are heard to heave a heartfelt sigh of relief. Whether the actual outcome turned out to be a fate worse than death for young Scheherazade remains an unknown mystery. This classic volume though is the ultimate tribute to the power of storytelling.

Telling such tales most likely goes back to cavemen sitting around a campfire. Homer would later evoke his muse to assist him in retelling epic stories to the enthralled and largely drunken nobility of his time and other bards and minstrels throughout history became a fixture among a ruler’s household. Traditional fairy tales have become understood as the means by which children learn to cope with a held together by a set of commonly held myths which to a large extent defines and distinguishes it:

It follows that the state belongs to a class of objects which exist in nature, and that man is by nature a political animal; it is his nature to live in a state. He who by his nature and not simply by ill-luck has no city, no state, is either too bad or too good, either sub-human or super-human.

(Aristotle 1962, p.28)

3 One wonders whether cave paintings were no more than an early prototype of PowerPoint. Clearly though, storytelling has always been the best medium for teaching and learning.

4 In the dramatic beginning of the Iliad, Homer sets the stage for his story by invoking the rage (or wrath) of his complex hero, Achilles:

Goddess, sing the rage of Peleus’ son Achilles, murderous, doomed, that cost the Achaeans countless losses, hurling down to the House of Death so many sturdy souls, great fighters’ souls but made their bodies carrion, feats for the dogs and birds, and the will of Zeus was moving toward its end. Begin, Muse, when the two first broke and clashed, Agamemnon lord of men and brilliant Achilles.

(Homer 1990, p.77)

5 You might argue that many religions have at its core a collection of stories. There are Hindu and Greek myths as well as numerous stories in the Bible.
sometimes frightening and alien world. In more recent times, Hollywood has understood that the way to a reliable box office success usually lies through the means of good storytelling. The lives of few lecturers in economics depend so crucially on their ability to hold an audience, and especially not for 1001 lectures, but we nonetheless have much to learn from Scheherazade about improving our effectiveness in class. The dependable financial performance of Pixar films over its rivals has always been based on the strength of its scripts. Certainly special effects can enhance storytelling, but it is not really a reliable substitute for a good screenplay. Directors without a story to tell resort to simply blowing things up instead. This appeals mostly to teenage boys (of whatever age) who are the ones willing to pay consistently to see films where explosions and car crashes take the place of storylines.

2. **STORIES ARE NOT JUST FAIRY TALES: THE NEED FOR GOOD STORIES IN ECONOMICS EDUCATION**

   “Husband,” she said, “if I can’t make the sun and the moon rise, I won’t be able to bear it. Do you think I want to just watch? No, I won’t have any more peace until I myself can make them rise.” She gave her husband such an awful look that a shudder ran through his bones. “Go there at once! I want to be like God”.

   (Brothers Grimm 1992a, p.79)

Telling stories somehow seems too homely an activity. Academics prefer to at least pretend to be engaged in something loftier when compelled to do their share of teaching. That has tended to blind us to what actually drives effective teaching. The way we tell a story must naturally differ even if the story itself is basically the same. Of course

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6 Bruno Bettelheim (1977) has explained how stories like “Little Red Riding Hood”, serve as a way to assist children in conquering their fears and boosting their self-confidence.

7 Storytelling has also been the mainstay of most political campaigns. Candidates are sold as mythical characters with a compelling back story (Honest Abe the rail-splitter). In recent times, Republicans have crafted human anecdotes, sometimes purely fictional, to vilify policies enacted by opposition parties. In 2014, for example, the airwaves were inundated with filmed ‘personal’ stories of individuals ruined by the new health care coverage. Clearly in politics, people remember stories and not policies.

The most potent [political advertisement] feature Julie Boonstra, a Michigan cancer patient obliged to change insurance plans by the Obamacare health law. In them Mrs. Boonstra talks about her cancelled policy and her “unaffordable” new plan. Addressing Mr. Peters [running for Michigan Senate seat] directly, she tells him that by voting for Obamacare, he has jeopardised her health (The Economist 2014, p.43).

8 I’m embarrassed by the fact that it took me many years before I explicitly realized what I was doing and when my teaching was most successful.
different disciplines have different stories to tell and different ways of telling those stories. So we discover upon examination different language, metaphors and conceptual structures across different disciplines. Some of these components may be used to bar entry to non-professionals but the greater precision and efficiency of thinking they facilitate also furnishes the potential for telling better stories about the phenomena they are used to study.

Stories are everywhere. We hear them, we write them. Perhaps on occasions we feel them. We use them to motivate others, to convey information and to share experience. We tell stories to entertain our friends and families, to connect with new people and to make sense of the world around us. As we tell stories we create opportunities to express views, reveal emotions and present aspects of our personal and professional lives. Frequently we engage in this uniquely human activity in creative ways and in doing so stimulate our imagination and enhance our memory and visualisation skills. Our ability to communicate not just our own experiences but the experiences of others enables us to transcend personal frameworks and take on wider perceptions. This attribute, together with its international, trans-historical and transcultural usage makes story telling a powerful learning tool. It is therefore not surprising that it has endured.

(Alterio & McDrury 2003, p.7)

The objective of good teaching is to make the material being taught accessible, to motivate, to capture interest. Think about it. What students often remember long after the series of lectures are over, are the embroidery of little anecdotes and tales related during the course of teaching any given subject.

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9 Curiously, some of the best economists in the profession see themselves as storytellers. If we can conceptualize the way we convey research in this fashion, then it would be surprising not to extend such an effective device to teaching as well.

Economists have an image of practicality and worldliness not shared by physicists and poets. Some economists have earned this image. Others — myself and many of my colleagues here at Chicago — have not. I’m not sure whether you will take this as a confession or a boast, but we are basically story-tellers, creators of make-believe economic systems (Lucas 1988, p.1).

10 One of Alfred Marshall’s great objectives was to professionalize economics by barring outsiders (those without professional training) from entering into any serious discussion, particular relating to policy debates. Employing specialized language facilitates this process. Marshall actively attacked the great popularizers of his age, namely Henry George and John Hobson (See Marshall’s lectures on George’s bestseller, Progress and Poverty, vide Marshall 1969).
Storytelling can be an incredible teaching tool. In the classroom, the role of storytelling can go far beyond the acquisition of literature. I believe this is due to the additional emotional content that can be delivered through a story. Information that is then even more thoroughly retained, because the input of facts is received on an emotional as well as an intellectual level, allows for the new information to be stored in a much deeper part of the memory within the human brain. Because of this often overlooked fact, I feel that oral storytelling should be considered one of the better ways to educate and teach information. It can be used in all aspects of learning if applied properly.

(Bones 2008, p.1)

We are all geared to respond mentally and emotionally to storytelling. So we should learn how to best use it and understand that technology is not a substitute for good teaching, nor is educating a simple task of dispensing information. This goes against a strong trend seemingly endorsed by a large majority of university administrations. The objective, one that can be identified as a wave building over the past two decades and gaining startling acceleration, is a regimen of standardization and uniformity. Employing the guise of accountability, administrators can increasingly gain greater control over the processes that define a classroom. The tools here are technology and templates which together somehow substitute for the individual skills and talents of their faculty. In this focused attempt to equate mass education with an assembly line process, the professionals, or experts, inhabiting the teaching and learning centres that have sprung up across campuses, act as zealous missionaries of such an approach. A closer examination reveals that in adopting a one-size-fits-all methodology, these experts are apt to stumble over the self-same hurdles that professionals in child development discover. There is no simple pathway running between theory and practice, namely behaviour that consistently works in any given situation. In a similar sense, each lecturer has his or her own specific strengths and weaknesses. Consequently, it would be surprising if the exact same teaching methods brought out the best in each and every teacher.

11 Given the lack of flexibility in constructing a course, particularly at the first year level, the actual role of the lecturer becomes limited. Greater efficiency might be gained by hiring out of work actors to provide dramatic readings of textbook overhead slides.

12 A parallel can be drawn, if one wishes, to the movement for a more pluralist approach to teaching economics. The logic here is that we do away with thinking of mainstream economics as the one canonical approach to fruitful analysis. If alternative approaches are
Given this diversity, a more logical approach would be to allow each lecturer to discover how to move from specific individual talents to specific outcomes.\textsuperscript{13}

However, embracing storytelling is a more difficult and high risk option to take as a lecturer. We have to be willing to give up the comfort of structuring courses around materials and techniques that are focused on the 2 T’s: easy to teach, easy to test. Such an approach is less labour intensive but flirts heavily with being dead boring.\textsuperscript{14} For the serious educator, inspiration should come from the storied Scheherazade. Teach as if your life depended upon it. Lecturers should feel compelled to tell no more than one clear story per course, a story that ideally leaves students wanting to come back to find out what happens next. What I need to demonstrate then is how storytelling techniques can be used to enhance what is often considered to be one of the deadliest of all economics courses in existence, namely first year micro-economics. This is a course that can be described, with only a smidgen of exaggeration as one where we pretend to teach and students pretend to learn. If we can begin to transform a course such as this by means of storytelling that should be the first step at least toward thinking of each economics course in terms of the story involved and how best to tell it.

Remember, the key to this approach is to have a single story line that carries on throughout the course. The worse approach is to take what capable of shedding light on economic analysis then teaching methods should be allowed a great deal of variance as well. In other words, different stories can be told in many different ways and be equally effective.

Actually, critical pluralist economics aims to replace all orthodoxy with a real understanding of variety. It aims to equip practitioners to select, from all appropriate theories, that which best fits the evidence. To achieve this, students first need to understand, not where economist agree, but why they disagree (Freeman 2009, p.25).\textsuperscript{13}

A similar problem inevitably crops up within the work of professional economists. There is a tendency to jump from economic theory to policy prescriptions without fully considering the specifics of the situation in which it is applied. The practice in economics picked up particular momentum in the post war period. See Colander & Freedman (2011) for one way to evaluate this phenomenon.\textsuperscript{14}

Rationalizing this approach as maintaining standards by taking the more rigorous road, indicates a difficulty in distinguishing rigour from rigour-mortis. The more compelling explanation depends on incentives and rewards. Lecturers are more heavily rewarded for publications rather than for teaching. The opportunity cost of delivering a course with a strong, easy-to-grasp storyline translates into less time for research and writing. Given such unalterable constraints, most lecturers advance their careers by adopting the easy way out. Newly hatched lecturers tend to replicate the mechanical style of teaching they endured, only insuring that student complaints are held to an acceptable minimum.
we might call the cookbook strategy, teaching topics by demonstrating algorithms. ‘Today we are going to learn how to roast a chicken, next week how to make a lemon meringue pie.’ Nothing is interconnected; one unrelated topic follows the next. To be honest, this recipe following technique is even a poor way to learn how to become a good cook. To understand cooking, to develop a feel and intuition for the process, you have to understand how the techniques work and why you are using them. A good cook needs to develop something of an intuition about the chemistry of flavours as well as to be able to combine them in new and interesting fashions. If all we provide our students with is a mechanical ability to manipulate supply and demand curves then we have failed to achieve a worthwhile objective. That painstakingly memorized ability will fade and vanish from their minds soon after they have completed their final exam.

Ideally we need to develop our students’ economic intuition, an understanding in the case of micro which involves an almost instinctual feel for how markets work. To do so we must be willing to fight against the layout of many textbooks which can best be employed merely as background reading and backup support, something that approaches the level of acting as a security blanket for students, not as a bible from which to teach. Textbooks unfortunately tend to be a collection of topics that are only loosely tied together. As a result, a course composed of a string of topics can easily degenerate into something resembling an Ionesco play where characters rush in and out of the drama for no discernible reason. If you are telling a coherent story, where each lecture forms an intrinsic step in what is a complete tale, then students

15 First year micro textbooks are remarkably predictable. A lecturer will know what will be in the text and the order of presentation before opening the cover. There are seldom surprises. What is missing is any real feel for the ordering (the story line) or how it all ties together. Textbooks attempt to appeal to lecturers who are already familiar with the material and want to avoid spending the time required to read the book in depth. (For a jaundiced look at the economics textbook cottage industry, see Freedman (2003). There are exceptions. Colander (2013) attempts to tell a somewhat intuitive story, one which beginning students manage to grasp without too much difficulty. For Colander, techniques and technical knowledge shouldn’t overwhelm the objective of the textbook. “I’m trying to tell an intuitive story. Technical exposition can be tackled at a later time” (David Colander conversation with Craig Freedman, August 2014). Too many textbook writers, as well as teachers, have forgotten what it is to tell a good story.

Teaching first-year economics involves telling stories. These stories are simplifications of far richer stories that we economists tell, test and study.

(Colander 2000, p.76)
will understand that by missing a lecture they will fail to comprehend fully the flow of the story. Moreover they will, with a necessary dollop of luck, realize that they can’t strategically study for an exam by just focusing on a few topics since the course is an integrated story with one single story arc.

3. A GOOD STORY NEEDS A GOOD PUNCH-LINE

“Is your name Kunz?”
“No.”
“Is your name Heinz?”
“No.”
“Can your name be Rumplestiltskin?”
“The devil told you! The devil told you!” the little man screamed and he stamped so ferociously with his right foot that his leg went deep into the ground up to his waist. Then he grabbed the other foot angrily with both hands and ripped himself in two.

(Brothers Grimm 1992b, p.212)

How then might a lecturer go about transforming first year micro into a coherent story and by doing so stir the sleeping minds of a classroom of students? Let’s start with a few possible suggestions. The critical segments that transform an ordinary into a compelling story lie at the very beginning and the end of a tale (much like a plane flight). Beginnings are the most crucial since you need to hook your students in from the start. That is when you hope to catch your listeners’ attention and imagination. Blow the opening and you struggle thereafter to regain lost ground. Yet, how many lecturers start a course by employing the most boring and predictable alternative possible, namely going over the administrative details involved, the bookkeeping minutia that is about as interesting as reading from a University’s ‘student handbook’. Only when students are properly stupefied does the course itself begin. By following this procedure, the lecturer practically has guaranteed a complete loss of the class’ attention before even beginning. This is a strategy which is equivalent to the required safety instructions given at the start of each flight and largely ignored by passengers. Such thinking would have films present fifteen minutes of credits before starting the action itself. Yes, if the lecturer lacks restraint a few words may do minimal damage, but make these brief and have the sense to wait until a start is made before explaining the heart and objectives of the course. To adopt this standard method is the sort of poor storytelling that
Hamlet fruitlessly railed against.\textsuperscript{16} In fact, the film industry over the years has evolved away from beginning a movie by rolling out an extended set of titles. Instead, a more frequent choice over the last decade is to jump immediately into visual storytelling. In the more extreme case, the title and players are revealed only when the film is completed.

The first and most important issue to tackle then in teaching an introductory course in microeconomics to what are mostly economic virgins is to decide exactly what the nature of the story you wish to relate is. Most likely it will be the same tale that Marshall attempted to tackle and before him Smith. That story explains how markets operate based on a foundation of individual choice. Economic growth and progress come through a division of labour along with concomitant specialization. But for this case to be effective (to achieve these objectives) we need to understand how a coordinated system of activity could be built upon a foundation of myriad individual decisions and actions. In a market system, price signals basically coordinate the choices made by individual economic agents. Therefore the story we tell our students in such an intro course is the story of how price adjusted markets work. In effect we are explaining how an economic system built upon individual choice can yield coherent results.

Let’s stop and discuss a few issues that are bound to affect the nature of the stories told. I realize that there are some lecturers who believe and act quite differently, but my position developed from years of missteps as well as successes is that no matter how you may regard standard micro theory, it is important in teaching the subject to suffocate your own underlying beliefs and ideological biases. At least in my opinion, a course should not be a vehicle for pushing one’s favoured ideology.\textsuperscript{17} The goal is to explicate the system and leave students with a clear understanding or intuition of how structured economic thinking is applied to these issues. Certainly, explaining the

\textsuperscript{16} For those with a literary bent (or even those who are literally bent) the reference is to the scene where Hamlet uses a traveling acting troupe to re-enact the murder of his father hoping that the usurper will betray his guilt by his reaction. “The play’s the thing, wherein I’ll catch the conscience of the King” (Shakespeare 1963: Act II, Scene 2: 616-617). Disregarding Hamlet’s instructions, the actors choose to start their performance with a dumb show that gives away the action of the performance. “The players cannot keep counsel; they’ll tell all” (Shakespeare 1963: Act III, Scene 2: 146-147).

\textsuperscript{17} None of us is a blank page when it comes to ideology, but by recognizing what our individual slant is, we can hope to shove it into a box so that for the most part it doesn’t rear its head during the extent of the first year microeconomics course.
underlying assumptions and the limitations of such thinking is essential. But the point is to explain and enlighten, not to sell a particular viewpoint. The lecturer’s job then is not to build a corps of true believers (marketeers) nor is it to encourage a flock of cheap critics.\textsuperscript{18}

In a similar vein, there are also arguments for presenting alternative economic approaches, but this would seem possibly to undermine the coherent story a lecturer is trying to tell. One last, unrelated issue is whether it is important to keep to a timetable. Most lecturers present a course outline at the initial meeting and then frantically try to meet this pace as though they were paid on a piecework basis. Clearly, it is not how much you cover, but how well you do it that really matters. Students will forget most of the details of the story told. So here is another case where less can be more. In other words, it is simply not crucial to cover all material which was initially proposed.\textsuperscript{19} A lecture schedule should be no more than a suggestion of the reading students should feel obliged to do each week. During that first lecture, students can be informed that their lecturer is likely to fall behind such a schedule and even not to cover everything listed in what should be regarded as no more than a heroic wish list. If students are reassured

\textsuperscript{18} This may be no more than a preference on my part. Given that the objective of a first year course is to develop something resembling a basic understanding of economic reasoning and analysis, a multitude of storylines at this early stage, when a typical student is still trying to grasp basic economic thinking will tend to confuse. Alternative approaches, history of thought and other courses which broaden a student’s vision are best reserved for future years. Remember that the opportunity cost of introducing disparate elements in the first year or two may be high. However, those who claim to be able to integrate several perspectives in the first two years are perhaps simply more adept story tellers than I am. Dismissing the success of this alternative approach out of hand would seem to be foolish. Choices should be made based on one’s own strengths and perceived results.

Intermediate macroeconomics courses also include a variety of theoretical perspectives including Classical, Marxian, Keynesian, Post-Keynesian, Monetarist, Rational Expectations, and Supply-side Economics. Students grapple with the different questions that can be asked, tools that can be used, and implications associated with different theories (Cooper & Ramey 2014, p.5).

\textsuperscript{19} Problem may arise since many large universities are driven by a need to centralize and unify to meet administrative requirements, which seem at times motivated to meet administrative, rather than educational objectives. The result of such subliminal desires is an inevitable demand to formulate and lock-in final exams early in the semester. To overcome this obstacle, while retaining scheduling flexibility, simply be conservative in the material covered in that examination. Squashing any unneeded eruptions of optimism will usually leave the lecturer in a desirable safe haven.
that only material discussed during lectures is examinable, much anxiety will be laid to rest.

Since the key storyline involves demonstrating the way in which it is possible to connect individual choice with coherent market outcomes, lecturers need to start with the idea of the individual (firm or consumer). This concept is not only the starting point but the underlying and repeated motif of the story being presented. Here the underlying insight or functional glue holding the story together and providing the mechanism for individual choice is the idea of opportunity cost.\textsuperscript{20} As simple minded as this concept may seem to be, it is really the one big idea that microeconomists possess. A course in microeconomics then must make the idea of opportunity cost explicit throughout. Unfortunately, though all textbooks seem to talk about this idea initially, it is often quite lost after these first few chapters despite the fact that the central supply and demand model utilized in the course rests firmly on this one single idea.\textsuperscript{21} Using opportunity cost ensures

\begin{footnotesize}
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\item There should be no surprise that an accomplished teacher like Peter Boettke (2012) also stresses the importance of opportunity cost as a lynch pin of teaching economics. Given his Austrian grounding this would be expected if not inevitable. But in this case perceived ideological shadings are not unduly relevant. Economic analysis built on a foundation of individual choice must provide a basis for those decisions. Without the concept of opportunity cost, understanding price coordinated markets lacks any intuitive anchor.
\item The term opportunity cost is reported to have made its first appearance in 1914. The concept was unveiled by Austrian economist Friedrich von Wieser in his book \textit{Theorie der gesellschaftlichen Wirtschaft}, (reputed to be a sparkling romp in its original German). As is the case with much similar terminology, the idea, if not the exact words, can be fossilised from earlier writings. The concept itself is ancient, being incorporated in the phrase, ‘you can’t have your cake and eat it too’. An early recording of this phrase appears, in a letter on 14 March 1538 from Thomas, Duke of Norfolk to Thomas Cromwell, as “a man can not have his cake and eate his cake” (Gairdner 1892). The idea itself is intuitively obvious. Most reasonable textbooks over the decades have identified the central conceit, namely, that by choosing, one is freely willing to forego an alternative which is also achievable. The problem comes not so much with the simple formulation, but in measuring and applying the idea. This stumbling block may be the reason why opportunity cost seems to fade with each ensuing chapter of any textbook. But it does undoubtedly always take an initial bow:

Opportunity cost is the benefit that you might have gained from choosing the next best alternative. To obtain the benefit of something, you must give up (forgo) something else – namely, the next best alternative.

\textbf{(Colander 2010, p.9)}

If doing activity $x$ means not being able to do activity $y$, then the value to you of doing $y$ is an \textit{opportunity cost} of doing $x$ ... $y$ is simply the most highly valued alternative to doing $x$.

\textbf{(Frank 2000, p.8)}
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that the starting point of individual choice retains its core position throughout the unfolding of the course or story line. Doing so is important in telling a coherent story, even though price theory itself is not really interested in individuals whether the discussion focuses on firms or people.\textsuperscript{22}

4. THE STORY BEGINS

"Grandmother, what big ears you have!"
"All the better to hear with, my child."
"Grandmother, what big eyes you have!"
"All the better to see with, my child."
"Grandmother, what big teeth you have got!"
"All the better to eat you up with."
"Grandmother, what big ears you have!"
"All the better to hear with, my child."
"Grandmother, what big eyes you have!"
"All the better to see with, my child."
"Grandmother, what big teeth you have got!"
"All the better to eat you up with."

(Charles Perrault 1697)

The following example is based in part on an initial interactive lecture I have used a number of times.\textsuperscript{23} The story’s structure is easily adaptable to any of the many popular textbooks commonly used. The text is not

\begin{quote}
It is the cost of one item in terms of the other. The economist’s way of measuring the cost of, for example, studying economics one more year is not the pain and suffering involved in the year, but the maximum amount of other scarce things sacrificed by choosing the additional year.

(McCloskey 1982, p.10)
\end{quote}

\textsuperscript{22} While a mythical or idealized individual or firm are used as building blocks to construct a demand and supply model, the focus is on individual markets rather than on individual players.

\textsuperscript{23} However, all classes are far from identical. The basic story conveyed has to be tailored to the needs and ability of each specific group of students. Also attention needs to be paid to insure that the storyline is maintained throughout the course. There can be a tendency to let one’s vigilance slide as the course progresses. If though, a strong story is vigilantly upheld, a noticeable difference in outcomes is discernible. The author taught two very similar first year microeconomics courses in a highly respected small liberal arts college (2011-2012). Thirty-five students in each class composed of a similar mix in each group. By the second time through, the lecturer had a better idea of the nature of the students and the storylines to which they were most likely to respond. Results varied significantly. Students giving the course a high rating increased from just over 50 percent to over 75 percent. Also interactions, questions and responses demonstrated a higher degree of interest in the second group.
particularly important since as pointed out, these books serve merely as a supplementary resource. PowerPoint slides are used as unobtrusively as possible for a couple of reasons. Students expect not only to listen but to look whether at slides or at snippets from the internet. However I keep material on the slides to a minimum. They are mostly prompts and questions to remind students of how the story is unfolding. But the slides themselves, or at least the limited outlines appearing there, are never read out loud since there is no real point in doing what each and every student in a class can do individually. Remember that these slides and storytelling precede any boring administrative dandruff. In fact, there is no real reason for the lecturer to bother introducing him or herself at this point. My suggestion is to curb one’s ego and forgo behaving like a movie star who requires his or her name to be above the title. Just launch into the story at hand.

I start off by making a confession, namely that the very first meeting with any class is always my favourite part of the course since I know, not think, believe or suppose, but know as a card carrying economist, that there is no place else where these students would rather be than right here listening to me. As a result of this unsolicited outpouring of approval I am of course overwhelmed with gratitude and humility. Now students at this point may suspect that they unfortunately have a looney for a lecturer, someone who is at least a few sandwiches short of a picnic, but these students are assured that this conclusion will be proved to them beyond a reasonable doubt and this proof will turn out to be the most important lesson they will ever learn in an economics class.

I then proceed by choosing a random number of people and assigning potential alternative choices to them. For instance, one of them could be enjoying a late morning in bed, or having coffee with friends. Another could be watching the latest cute kitten video on YouTube, listening to the complete parliamentary speeches of Australian Prime Minister, Tony Abbott, or making a fortune as a telemarketer. The clear point is that each and every student in the class faced choices. Not one of them had to be sitting in that class. Yet out of all the choices available, each one chose to be here, seated before me. Therefore as an economist I can only conclude that there is nowhere else these

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24 Curiously enough a similar tactic appears in the less than critically acclaimed film, *Dangerous Minds* (1995). Confronted with the usual clichéd group of ghetto students, their teacher, played by Michelle Pfeiffer, challenges their class attendance by explaining that no one was forcing them to be there.
students would rather be. Naturally I am also obliged to feel humbled at such an unsolicited vote of confidence in my abilities.

Here I point out that in the course of this proof I have deliberately snuck in a few assumptions that are vital if the proof is to remain credible. The key is assuming each and every student can be described as a rational economic decision maker. It turns out that this isn’t an entirely far-fetched assumption. The idea of economic rationality, at least in its most intuitive aspect, is fairly simple, as are many key economic ideas. There are three major components that comprise the basis for economic rationality. One is that decisions have to have a purpose. Economics really has little to say about random decision making. Next a big, but essential jump made for purposes of analytical simplicity is that an individual actually knows the consequence of each decision made. In fact, this component will not hold in many cases. All individuals are prone to making mistakes, often due to insufficient information or faulty reasoning. But this aspect allows an economist to start with a simple and easily understandable notion of human action. Certainly individuals make many decisions based on what they suppose will be the outcome even if such calculations subsequently turn out to be erroneous. The final component is arguably the most important aspect of economic rationality. The motivating idea is that individuals try to avoid becoming worse off by the decisions they are forced to make. They would prefer to improve their situation. Again, this is not to say the individual could not err. Moreover, the idea is restricted to narrow self-interest. Otherwise this key basis for rationality becomes essentially empty, a mere tautology whereupon every human action can be described as leaving the individual better off, while equally every action can also be catalogued as being driven by self-interest. Of course people don’t act from narrow self-interest 100 percent of the time. But an economist can safely claim that it is a strong and persistent motivation that tends to influence a good proportion of human decision making.

It is important to emphasize to students that this assumption has been shown to be a useful one. To be useful, it does not have to apply in every single case. But in many cases it is a relatively common motivation in explaining human decision making. The potential quicksand presented to the unwary is what economist George Stigler has described as the ‘crankcase oil problem’:

If we see a person drink the used crankcase oil from his car, and he then writhes in agony and dies, we can assert that he must have really liked crankcase oil. (Why else would he have drunk it?) Virtually any behaviour, no matter how bizarre, can be “explained” after the fact by simply assuming a taste for it.

(Frank 2000, p.223)
making. Economists have in fact attempted to explain much of economic activity by employing this starting point.

Let me repeat that although I don’t shun the use of PowerPoint in telling my story, I don’t use it as a script. To do so would be the equivalent of reading a story rather than telling your own. If reading a series of slides was the only requirement for standing in front of a class then the universities could simply hire out-of-work actors to do that task and they would undoubtedly provide a more dramatic and interesting reading then a mere academic could achieve. (Not that I doubt such a plan is currently being considered.) So again, to repeat, keep the slides in the background. Certainly, an occasional film or other video clip may emphasize and underline a particular aspect of your story. But these are supplements and not substitutes for a basic ability to tell an interesting story. If a lecturer resorts with greater frequency to such devices then like a desperate film director you are becoming addicted to the equivalent of employing a car crash as a means to distract an audience from the thinness of the story you are trying to cobble together.

Now that opportunity cost has been established as the starting point for the economic story of markets, I proceed to reinforce the notion that choice depends in part on what a person has to forego when making a decision. I will then ask a student if he or she would like to own a new car. The answer is predictable. I then ask if they do have one and if not, why not. The class comes to the conclusion that by definition, a person doesn’t own a car because the opportunity cost of doing so is too high. In other words, what the individual has to sacrifice is simply too great. What then is the implication? Students can grasp that by changing the opportunity cost, it is possible to change the decisions that people make. Changing incentives in this fashion is a key to understanding economic behaviour. At this stage of our story, I put them into groups of two and ask each group to imagine and describe a world in which there was a zero opportunity cost to making a decision. These groups generally come up with either of two options. In one scenario everything is possible, no choices are necessary since every objective is achievable.

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26 In an almost surreal application emphasizing templates over storytelling or even common sense, at least some economics departments in Australia insist that introductory microeconomic classes use exclusively the PowerPoint slides associated with the prescribed textbook and that no original additions or substitutions to those canonical slides are permissible. In this situation, employing an out of work actor might be quite appropriate.
at all times. This imagined world is one where resources are limitless extending even to time. In stark contrast another world where opportunity cost ceases to exist is one that allows for no decisions to be made because no alternative decisions are ever possible. Everything an individual does in such a universe has been predestined and charted from moment one of his or her life. I point out that these worlds might make for an entertaining ‘Star Trek’ episode, but such worlds are hardly descriptive of places in which we are likely to live. In our world, choice involves foregoing or sacrificing something, giving up ‘a’ to get ‘b’. This undeniable reality then defines the role that economists play. An economist is responsible for explaining what people will have to be willing to forego in order to achieve the goals they profess to desire.

Like any good story, this core insight needs to be embroidered and applied if students are to grasp the intrinsic sense of this basic intuition. Let’s look at just two examples of how such a story line can be advanced. The first case assists students in using opportunity cost to analyse a specific case. By doing so, students get an insight into how an economist would try to understand a given event. More broadly, an actual instance provides the fundamental structure that supports any basic economic argument. Students are asked to try to picture the uniform of the late 18th and early 19th century British soldier. The outstanding memory of those who have watched films or television of this era is the fact that the standard colour was a bright scarlet. This choice seems to make little sense since it would serve to make these soldiers better targets for the muskets of an opposing army. However, attributing deliberate stupidity to explain observable decisions is not acceptable as an economic rationale. Students are accordingly divided into groups of two and asked to employ opportunity cost to analyse this particular choice. An array of responses is usually evident. I counter by taking them through a simple step by step approach which revolves around incentive determined behaviour. Namely the example illustrates how changing opportunity cost can in turn change individual decisions and actions. Analysing this case first involves focusing on the objective of the individual who makes the decision and how that objective can be achieved. The key contrast must be with the objective held by the

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27 I’ve also used a clip from the film Moneyball (2011) to provide a similar insight. In the clip, the actor Jonah Hill presents his analysis for choosing what players the Oakland A’s should seek in trade. The scene provides a textbook example of using economic type reasoning when seeking to gain a given objective. The step by step argument realizes the desired result while using the minimum resources (lowest opportunity cost) possible.
ordinary soldiers, those actually required to wear the bright red. This analysis sets up a classic conflict of interest. Armies exist to win wars which they can only achieve by winning battles. The fate of battles balance on whether soldiers are willing to march forward despite the gunfire directed at them. The soldiers in contrast want to survive and continue to live. They can best achieve this objective by running away from the gunfire. By changing the relevant opportunity cost of a soldier’s decision, this inherent conflict of interest can be resolved. British officers were permitted to shoot any soldier attempting to run. They were equipped with pistols having a greater accuracy than the muskets any opposing army might fire. That enemy army was still far away while British officers were quite close at hand. The bright scarlet coats made any British soldier attempting to run an easy target for their commanding officers. The uniforms then increased the opportunity cost of running away and by doing so would have served to alter the choices made by individual soldiers.\textsuperscript{28}

The second case study utilised ties opportunity cost to another core idea, that of economic efficiency. Achieving an objective inefficiently means that the relevant opportunity cost, what necessarily must be foregone, is simply too high. Resources are being wasted since the same objective could have been achieved using fewer resources. The resources wasted in this fashion could have been employed to achieve additional objectives. Again I pose a simple minded question to students. If a careful observer deigns to examine most public buildings, he or she will find that female and male toilets are located geographically close to one another. In their groups, students discuss why this particular geographical reality prevails by employing the basic and core concept of opportunity cost. The answer is usually self-evident for most students. Locating these two facilities widely apart would require extra resources in terms of additional pipes connecting individual toilets with the main waste pipe. Since the same objective could be accomplished using fewer resources, the opportunity cost of placing male and female toilets widely apart would simply be too great.\textsuperscript{29}

\textsuperscript{28} There are of course other reasons for the chosen colour as well as for the individual soldiers not fleeing to save their hides. The illustration serves as an example of opportunity cost rather than a definitive historical statement.

\textsuperscript{29} Clearly an additional argument would indicate that making such facilities adjacent reduces the opportunity cost of searching out these particular meccas, especially under
This ends part one of our preliminary story. Again the initial indoctrination is to provide students with an idea of what we are trying to do in the course, why we are doing it as well as a brief and initial feel for how to do so. Therefore, the next instalment of the story asks what tools should an economist use to explore the idea of individual choice leading to coordinated market behaviour. Clearly, the way economists choose to do so is to construct models that explore and reveal key economic relations. We can hope to accomplish such a task by examining how a change in one decision causes a change in another. But to explore such an inter-relationship requires the use of a particular method. If we simply let everything change at the same time, determining what change is the cause of what effect becomes difficult and perhaps impossible. Instead, we can choose to keep all other factors constant and focus on how a change in one simple decision results in a change in another. Doing this creates a procedure that starts with the very simplest case possible and then only gradually complicates this basic model. Or to think of the procedure in a related manner, we start with the most general model possible, which means the most abstract and simplified. We abstract away from the specifics in order to generalize. Then by adjusting underlying assumptions of the model we can more carefully apply them to specific circumstances.

To get a grasp on how to apply such thinking to creating models, I ask students to return to their groups and imagine they are transport engineers. I have them think about the following situation. On a multi-lane highway, would any one lane be consistently faster than another? The resulting discussion involves the issue of how best to set up a useful model which would effectively test this issue. If we abstract away from all specifics, then we would be faced with absolutely identical individuals with identical preferences, all of whom have the same objectives. In addition, all drivers drive the same cars on a day with urgent circumstances. Few things are more frustrating than constantly stumbling across toilets of the wrong gender when the need grows overwhelming.

One simple way to demonstrate the power of abstracting in order to generalize is to ask a student to explain the end result of a process that starts with him or her having one apple and then receiving one more. Any student will simply reply two apples. Then ask the same student the result of having one apple and then adding an orange. Some students will reply quite literally, one apple and one orange. (I tell that student that he or she is a prospective accountant.) But some other student will reply two pieces of fruit. That student has abstracted away from the observed specifics in order to generalize. If the process is taken one step further, abstract reasoning will declare that one plus one equals two and the individual will have stumbled across the basis of mathematics.
ideal driving conditions with no cars entering or exiting this stretch of the highway.\textsuperscript{31} Given narrow self-interest and faced with the identical low opportunity cost of switching lanes, most students easily see that no one lane would be any more consistently faster or slower than the other. Drivers would simply switch from slower to faster lanes in such a way as to equalize the average speed on any lane over time. Only after this analysis can we start to loosen some of the imposed simplifying assumptions in order to customize the model for specific situations. This allows for the production of distinct traffic models applicable to a perceived set of circumstances.

One final preliminary step still awaits the class before pursuing more specific elements of the market story. Prior to any initial economic modelling that commences by employing opportunity cost decision making as the keystone of the production possibility curve, students need to clearly understand the differences represented by choosing either market or planned coordination as the basis for a national economy. In the latter case overall coordination is imposed from above by some central planning agency. The former option is based on corraling narrowly based self-interest by having an effective set of incentives in place. The example used in class demonstrates the core role of prices (opportunity costs) in achieving market results. The overall objective must be to insure that the right incentives are in place by making sure opportunity costs are correct. If done properly, the observed outcomes should be societally desirable despite individuals only looking after their narrow self-interest.

The problem posed to students is the classic puzzle of how a mother should divide a piece of cake between her two children so that both offspring will be satisfied. Most students would have the mother simply divide the cake and give each child a piece. They are asked to examine the assumptions underlying this option. Namely, the children would have to trust their mother to such a point that each one would not think

\textsuperscript{31} Drivers are assumed to want to reach their destinations in the minimum amount of time possible. They are unfortunately constrained by also wanting to avoid accidents that could damage either them and/or their cars. The more they want to avoid this risk, the slower they will travel and by doing so lengthen their journeys. However, since, by simplifying assumption, each driver has the same attitude to risk, what they forego in order to reach their desired destinations more quickly would have no impact in the original analysis of differential flows of traffic. Let individuals differ in their response to risk and we soon observe some individuals who wish to drive faster while others slow down. Such a characterization would certainly affect the flow of any stream of traffic.
of questioning the outcome. They would simply acknowledge that anything their mother does must necessarily yield the best result for them. Or they might simply be afraid to take issue with any decision so made. This, I explain is a model of the planned economy. Usually though, one group of students will offer the market alternative, have one child divide the piece of cake and the other child choose first. This alternative is the one closest to an economist’s heart. In this option, each child is driven by self-interest to yield the desired result. In the market solution, there is no necessity for individuals to be altruistic, to even consider the well-being of another or to place a great deal of trust in individuals. The implications of this example are that we can fall into error if we ignore the incentives that are in place, especially those which will affect individual behaviour. People will take into account, at least imperfectly, the opportunity cost of their decision and will notice when this cost changes. There lies the problem in supposing that it is possible to simply dictate an outcome, as in the case of central planning, without taking into account the way such dictates impact on incentives.

Only at this point do I introduce myself and quickly run through the boring nuts and bolts of the course. This is done briefly, since a full set of these instructions, in brilliantly sleep inducing detail, is enunciated in the course outline. Reminders, when relevant, should also be posted online as well as announced, when relevant, in class. So again, just the highlights will do at a first meeting. The class then continues the story by using opportunity cost to construct very simple, initial economic models.

What conclusions can I draw about teaching and storytelling? We are not of course saying that this is the only or even the best way to tell the story of economics to a beginning microeconomic class. Each and every instructor should find his or her own way to tell the same or similar stories. Such an outcome would be quite natural since we each possess markedly different storytelling abilities. One of the major challenges facing any university instructor these days is the fervent desire by many central planning administrators to homogenize courses, justifying such a regimen by claiming the need for a greater level of pseudo-monitoring and faux-accountability. Such imperatives resemble

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32 Certainly storytelling embraces a wide array of aids with statistics, graphical models and tables providing different, but equally relevant and valid tools as do movie clips or anecdotes. Each individual instructor decides on a mix that will help to propel the core storyline.
those in general effect under the Soviet planning regime of the Brezhnev era, though executed with less flair or wit. Think about the result in past decades of forcing all film directors to follow the same story template. The consequences of having all directors forced to tell the same story in the same fashion would be films which all look identical and manage to achieve a uniform low level of mediocrity. Successful storytelling is essentially about taking chances. Only by doing so can any one teacher hope to arouse a class’s interest and allow that teacher to impart successfully some sense of economic intuition. The problem with the sort of cookbook approach beloved by administrators is that it leaves not the slightest impact or mark on the students themselves. They remain economic free zones that have done no more than acquired a definite distaste for the subject. In fact, the painfully memorized recipes start to fade away while in the midst of taking their final exam. Only a few hours later any momentarily inscribed models or details are simply forgotten. Let us then conclude this article by urging each lecturer to find the courage to discover his or her inner Scheherazade and by doing so retain both one’s head and one’s heart.

REFERENCES


