

Task 1

Instruction: Watch the video and answer the questions **IN THE SPACE PROVIDED**.

Tip: You should turn on English subtitles. You should also read the questions first.

Video: <https://www.youtube.com/watch?v=4ERbC7JyCfU&t=331s>

1. What is the economic system that is central to this video? (Hint: in the very beginning)
 Free market system is the central focus of this video.....

2. State the full economic definition of the system mentioned in Question 1. (Google!)
 The free market is an economic system based on supply and demand by trading people with only
 little or without government controls.....
 It is an exchange where people participate voluntarily and receive benefits satisfyingly for themselves.

3. According to the video, why is it that nobody in the world knows how to make a pencil?
 Because there are many people and processes involved from starting to get the raw materials of
 wood, graphite, rubber, and brass for making a pencil, that nobody can know every thing.
4. According to the video, WHY did the rubber trees get imported into Malaysia?
 Some private enterprises tried to make some money by importing rubber trees to make a plantation
 in Malaysia.....
5. According to the video, what mechanism has led to the creation of a pencil?
 Price system is the mechanism that leads people to peacefully cooperate to make a pencil.....

6. What is the “driving force” behind millions of transactions that lead to the creation of a pencil?
 The essential idea of price system is that both parties of transaction get benefit voluntarily without the
 complication to have commissars or speak the same languages.
7. What are other “virtues” of the mechanism greatly emphasized in the video?
 All the deals in the price system under the free market economy are regarded as voluntary deals. It is a
 freedom with a wide range of benefit.....
 In game and economic theory, it has a zero-sum game which can be viewed as a fixed pie. The benefits
 have to be shared between winners and losers.....
 The total gains are added up, the total losses are subtracted, and the sum must be zero.....
 However, Friedman said it is not true. The activities can be organized in a wide area which people can
 voluntarily participate in and trade.....
8. What is the “necessary condition” for the mechanism to function effectively? (Hint: around the 8th
 minute of the video)
 According to Friedman, the price system can be operated in the free market way because it does not
 require orders. It can transmit information in an efficient way without any person having to send an order.