

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)
It is free market.
2. State the full economic definition of the system mentioned in Question 1. (Google!)
Free market is voluntary exchanges based on supply and demand with no government control.
In free market, sellers can set their prices as high as they want, if people are willing to buy.
3. According to the video, why is it that nobody in the world knows how to make a pencil?
Because in order to make a pencil, it need to use a diversity of resource around the world.
4. According to the video, WHY did the rubber trees get imported into Malaysia?
Because the private enterprises try to make money by transplanting rubber trees in Malaysia.
5. According to the video, what **mechanism** has led to the creation of a pencil?
It is price mechanism.
6. What is the "driving force" behind millions of transactions that lead to the creation of a pencil?
self-interest
7. What are other "virtues" of the mechanism greatly emphasized in the video?
The virtues of price mechanism is that it break the barriers of trading.
This system just brink people to cooperate and benefit others. They can still cooperate to create the product without any similarity.
For example, the people who do not speak the same language or have the same religion can cooperate with others. That is because they don't know the background of the goods.
8. What is the "necessary condition" for the mechanism to function effectively? (Hint: around the 8th minute of the video)
The necessary condition is voluntary and not coerced.

