

# 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)

The economic system that is central to this video is free market economy.

2. State the full economic definition of the system mentioned in Question 1. (Google!)

The free market is an economic system in which the price for goods & services based on supply and demand without government control.

3. According to the video, why is it that nobody in the world knows how to make a pencil?

Because pencil making requires many materials that have to be imported from abroad.

4. According to the video, WHY did the rubber trees get imported into Malaysia?

Due to the private enterprises trying to make some money so there imported the rubber trees into Malaysia.

5. According to the video, what mechanism has led to the creation of a pencil?

The mechanism that has led to the creation of a pencil is the price system.

6. What is the “driving force” behind millions of transactions that lead to the creation of a pencil?

Each one of them thinks he is better off in this transaction.

7. What are other “virtues” of the mechanism greatly emphasized in the video?

It doesn't require people to be the same religion and doesn't require people to be able to talk the same language. Furthermore, it doesn't require any central direction and any comma czars.

8. What is the “necessary condition” for the mechanism to function effectively? (Hint: around the 8<sup>th</sup> minute of the video)

Both parties to a transaction can benefit provided it is voluntary and not coerced.