

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.

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

A free market is a system in which the prices for goods & services are self-regulated by the open market and by consumers.

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

You have to know so much and have many materials to be able to make a pencil.

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

Private enterprises trying to make some money.

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

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's better off in this transaction.

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

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

8. What is the "necessary condition" for the mechanism to function effectively? (Hint: around the 8th minute of the video)

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