

# Task 1

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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

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

An unregulated economic system with little to no government control, in which prices and earnings are decided by the level of demand for, and production of goods and services.

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

The knowledge of specific materials and <sup>Also the skill needed for the process</sup> process are needed in order to make a pencil. (No one has knowledge for "ALL" of them so that's why no one knows how to make a pencil.)

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

It was imported to Malaysia by a private enterprise trying to make money.

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

Trading

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

Everyone that was involved in the transaction thinks that they are better off making the transaction happen.

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

The price system allowed millions of people who don't speak the same language, have different ethnic backgrounds, or people with different personal feelings to come together without central direction and make transactions that would soon to make one thing.

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 providing that it is voluntary and not coerced.