

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 is the economic system that is central to this video.

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

Free market is one where voluntary exchange and the laws of supply and demand provide the sole basis for the economic system, without government intervention.

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

Due to the component of pencil, we have to import from another country. For example, we have to import the rubber trees from Malaysia to Brazil for making the rubber.

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

Because the private enterprises imported the rubber trees into Malaysia to try to make some money.

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

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

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

The driving force is the thinking of each transactions because each one of them think 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 and any comma czars. Moreover, people don't have to talk the same language and 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.