

The Price System

5 MINUTE: *Economics*

Table of Contents

PART 1 (6:30)

CONCEPTS

Specialization of labor

Voluntary exchange

Free-market economy

Types of industry: primary, secondary, and tertiary

Globalization

DISCUSSION QUESTIONS

1. What does Milton Friedman mean by saying there is nobody in the world who knows how to make a pencil?
2. How are people who are NOT involved in producing wood, graphite, brass and rubber still involved in the process of producing pencils?
3. What kind of transaction makes a free-market economy possible?
4. What must be true for all parties in a voluntary transaction?
5. Friedman argues that, because of self-interest, economic cooperation can exist between groups who dislike each other. Explain.

PART 2 (5:30)

CONCEPTS

Components of the Price System (Invisible Hand)

Zero-sum game fallacy

Supply and demand

DISCUSSION QUESTIONS

1. What is the Price System?
2. What three key pieces of information does the Price System provide?
3. What is the zero-sum game philosophy?
4. Milton Friedman says wealth is not a “fixed pie.” Explain.
5. Give an example of when new ideas or technology created new wealth.
6. What is meant by “the invisible hand”?
7. How are the concepts of a free market, personal freedom and political freedom interrelated?



The Price System

5 MINUTE: *Economics*



Additional resources for this program are available at www.izzit.org