The basic economic problem is that human wants are greater than resources.

So far in this series we have explained the main ways in which the community has increased their PRODUCTION through the division of labour and mechanization. In other words, they have worked out:

- What to produce and how much to produce?
- How to produce?

Now we are going to examine the different ways in which the villagers DISTRIBUTE or ALLOCATE the goods that they produce. This is the third vital decision that all societies have to make, namely:

- How are the products to be allocated or distributed?

But firstly, a bit of revision...

1. Where do the villagers put all their produce at the start of the video?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

__________________________________________________________________________________________________

2. What happens when you spend all your time at one job?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

__________________________________________________________________________________________________

3. What did the Tailors make to increase their production?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

__________________________________________________________________________________________________

4. What extra things did the Fishers make to increase their catch?

a. ________________________________ b. ________________________________

5. What was the Shepherd family doing that annoyed Mrs Tailor and Mrs Coward?

__________________________________________________________________________________________________

6. Why doesn’t sharing seem to work?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

__________________________________________________________________________________________________
We can now see at least three problems with the DISTRIBUTION or ALLOCATION system the community are using:

a) The share out is not equal or fair

b) Some people may produce things that are not really wanted, such as the ‘glut of vegetables’

c) There can be disputes over how the goods are allocated

7. What does Mr Mason suggest?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

8. What was Mr Tailor’s inspirational idea?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

9. How did the others react at first?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

10. What must people do if they specialize in only making one type of good?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

11. What did the ‘swapping’ day come to be called?

__________________________________________________________________________________________________

12. How did this new system alter the Shepherd family’s behaviour?

__________________________________________________________________________________________________

__________________________________________________________________________________________________

This way of allocating products is called a MARKET SYSTEM.

13. List four things people find out on this day:

a. _______________________________________________________________________________________

b. _______________________________________________________________________________________

c. _______________________________________________________________________________________

d. _______________________________________________________________________________________