Laissez-faire economy means little government intervention in the economy. The government would not set prices.
Scientific Method is a four-step process that is used in economics and requires certain assumptions and simplifications.
Function of Money acts as a rationing device for goods and services in a market economy. Consumers who are willing and able to pay for a good are usually able to acquire the good.
Production Possibilities Frontier or Curve (PPF or PPC) a point on the curve illustrates the economy is using its resources efficiently. A point inside the curve means it is inefficient and a point outside the curve illustrates they are not able to produce at that point in time due to unavailable resources. Productive efficiency means both an increase in the production of one good cannot occur without a decrease in the production of another good, and the economy is producing on its PPF. A PPF or PPC bows out because of increasing opportunity costs. One of the assumptions underlying the production possibilities curve (or production possibilities frontier) for any given economy is that there is full employment of resources when the economy is on the curve. The PPF or PPC will shift out by the largest amount if most of the resources in the nation are being used to produce capital goods, and technology advances.
Opportunity cost is the cost of the next best alternative given a decision. For example, Matt could have earned $200/week working at Hardees, but he chose to volunteer at his church. His opportunity cost would be the $200/week he could have made had he worked at Hardees. Matt believes since he has had the necessary training to volunteer at his church, he should use it. Matt's rationale is incorrect because the cost of the training is a sunk cost.
Rational self-interest people consider the effects of their actions based on their values and point of view.
Command Economy decisions are made by central planners which are government officials
Prices- If supply and demand both increase prices may rise or fall. It is dependent on the demand and supply shift. If government officials wanted to raise the equilibrium price of milk, they would encourage farmers to produce less milk.
Ceteris paribus means it holds all variables constant. An increase in the price of computers would cause a decrease in the demand for computer software.
Elastic demand is when a change in price causes a significant change in the quantity demanded. If the government is considering increasing the tax on cheese from $3/pound to $4/pound, it definitely decrease tax revenue if demand for cheese is elastic because people would buy less cheese.
Absolute and Comparative Advantage is a result of specialization. Megan can either pick 10 bushels of apples or press 20 gallons of cider in a day. Britany can either pick 15 bushels or press 15 gallons in a day. In this example, Megan has the absolute and comparative advantages in pressing cider because her opportunity cost is lower than Britany's. Britany would be giving up more than Megan would be.
Trade Barriers are quotas and tariffs. When they are removed economic wealth will increase for both nations. Restricting imports of foreign oil (an example of a quota) will result in greater conservation of oil, greater production by domestic oil wells, higher prices for products made from oil and increased demand for domestic oil.

Trade people expect to be better off by the trading
Demand Curve is a negative slope and illustrates an inverse relationship between price and quantity. A decrease in quantity demanded will result in an upward movement to the left along the demand curve. A decrease in the price of soda pop would result in a downward movement along the demand curve for soda pop. If prices for new homes have risen and sales of new homes have also risen, we can conclude that the demand for new homes has risen.

Supply Curve is an upward sloping curve and illustrates a direct relationship between price and and quantity. If a technological breakthrough lowers the cost of manufacturing VCRs. As a result, the market changes to a new equilibrium because of a rightward shift in the supply curve for VCRs. If a consumer or business is in the market for credit, which is the interest rate that people pay to borrow money for a given time, allowing foreign banks to compete in the domestic credit market would not increase the interest rate.
Price Ceiling is an artificial price control set by the government that sets the highest price that a producer can charge for a product or service. In a market economy, the quantity demanded will exceed the quantity supplied because the price ceiling will be set below the market equilibrium.
Price Floor is an artificial price control set by the government that sets the lowest price that given be for a product or service. If the equilibrium wage in the labor market is $8.00, but the government imposes a minimum wage of $10.00, there will be more unemployment because employers will want to hire fewer people. This is due to $10.00 an hour being above the market equilibrium for minimum wage.