**Market Economy**: An economy where people own private property and business is regulated by competition

**Command Economy**: An economy where all businesses are owned and operated by the government

**Mixed Economy**: A combination of market economy and command economy

**Traditional Economy**: An economy where there is little new technology and jobs are based on tradition

**Scarcity:** The basic economic problem-unlimited wants and limited resources

**Good:** physical objects that can be bought

**Service:** activities provided by others

**Supply**: the amount of goods available

**Demand**: the desire to own something and pay for it

**Equilibrium**: a state where supply and demand are balanced and the amount supplied equals the amount demanded

**Shortage**: occurs when demand is greater that supply

**Surplus:** occurs when supply is greater than demand

**Opportunity Costs:** what it costs you to make a decision; the next best use of your time; what you give up by making a choice

**Trade-offs:** losing one quality of something in return for gaining another quality

**Factors of Production**: what goes into making a product/service: the 4 categories are land, labor, capital and entrepreneurship

**Entrepreneurship:** the act of creating your own business

**Sole Proprietorship**: is a type of business entity that is owned and run by one person

**Partnership:** a business which is owned by two or more people.

**Corporation:** a company or group of people authorized to act as a single group

**Human capital:** what a person has that goes into making a product-includes their training and brain power (creativity)

**Incentives**: A cost or benefit that motivates a decision or action

**Division of Labor**: A basic economic notion that labor resources are used more efficiently if work tasks are divided among different workers; allows specialization.

**Fixed Costs:** business costs that do not change (i.e. rent) based on output

**Variable Costs:** business costs that do change based on output

**Monetary Costs:** how much an item costs

**Total Costs:** the total cost of production (fixed costs + variable costs)