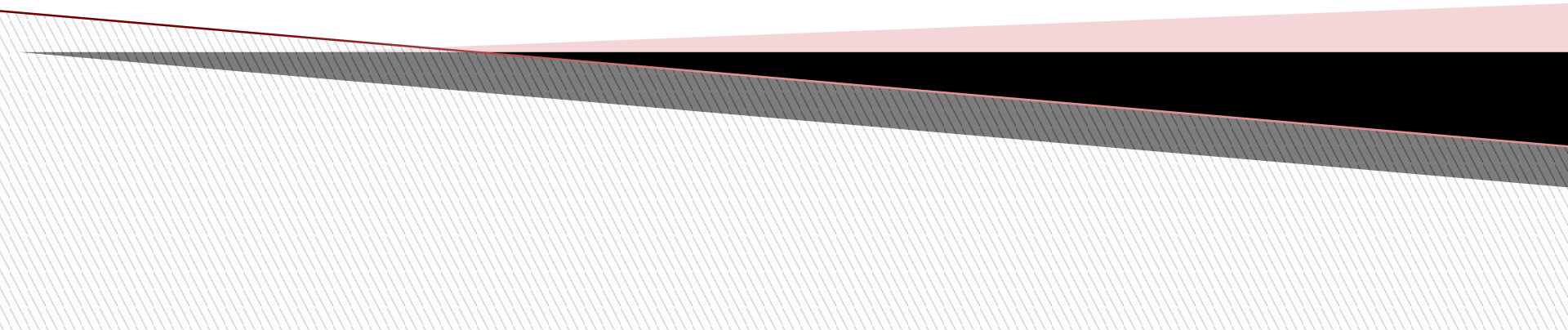


SSEF1 b: Define and give examples of productive resources.



Factors of Production

- Economists call the resources that are used to make all goods and services the **Factors of Production**

Land
Labor
Capital

<http://www.cleanvideosearch.com/media/action/yt/watch?videoid=0PgP0dXAGAE>

Land

- ▶ **Land** – natural resources that are used to make goods and services
 - Gifts of nature – natural resources
 - Example: deserts, fertile fields, forest, mineral deposits, livestock, sunshine, and climate

Labor

- ▶ **Labor** – the effort that people devote to a task for which they are paid
 - People with all their efforts, abilities, and skills

Capital

- ▶ **Capital** – any human made resources that is used to create other goods and services
 - **Physical capital** – all human – made goods that are used to produce other goods and services (tools and buildings)
 - **Human capital** – the skills and knowledge drained by a working through education and experience

Entrepreneurs

- ▶ If land, labor, and capital are the essential ingredients for creating all goods and services, who pulls these resources together?
 - Entrepreneurs – are ambitious leaders who decide how to combine land, labor, and capital resources to create new goods and services

The Factors of Production

Land

All of the natural resources that are used to produce goods and services



Labor

Any effort a person devotes to a task for which that person is paid



Capital

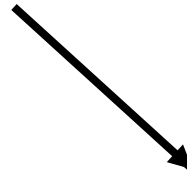
Any human made resources that is used to create other goods and services



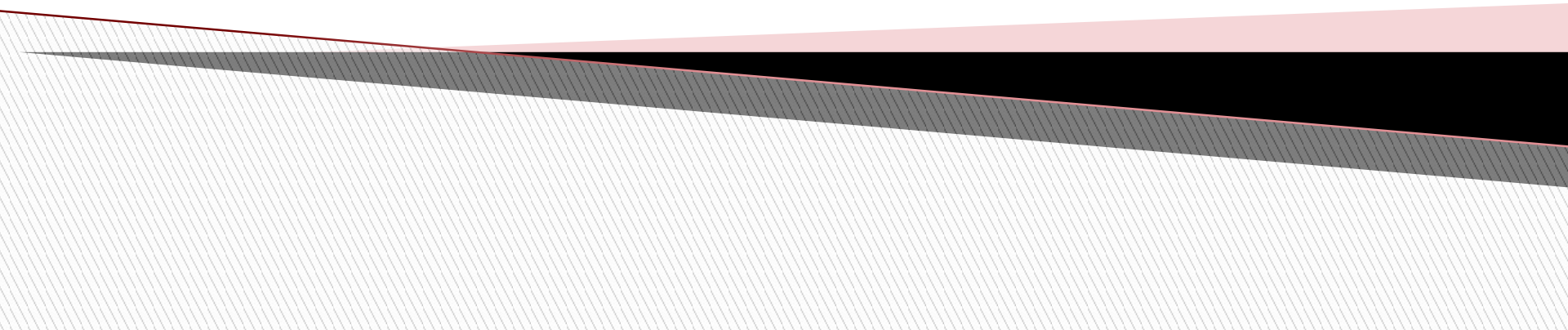
Entrepreneur



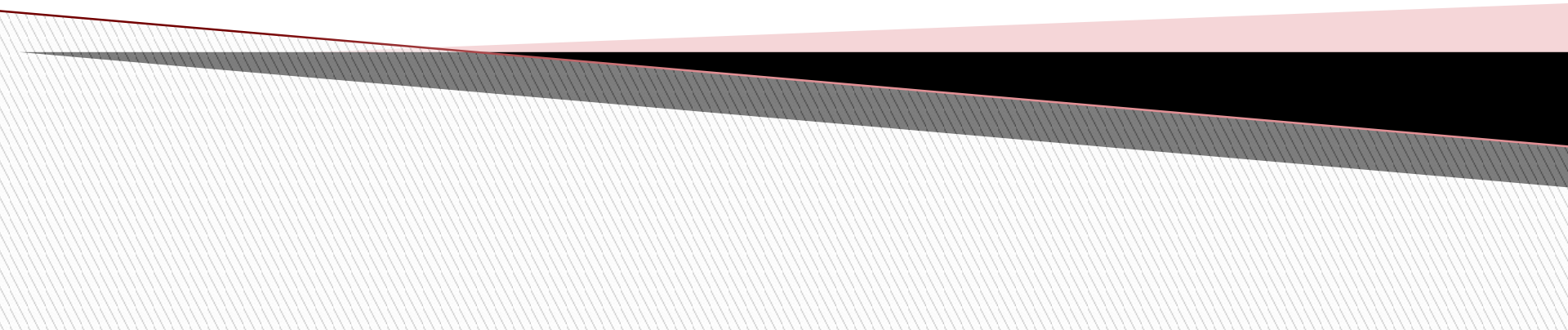
Goods and Services



WANT SOME FREE STUFF?



SSEF1 d: Define opportunity cost as the next best alternative given up when individuals, businesses, and governments confront scarcity by making choices.



Trade – Off

- A trade off is an alternative that we sacrifice when we make a decision
- Trade-offs involve choosing less of one thing so that we can have more of another
 - Decide to buy a less expensive, generic pair of jeans rather than a brand name so that we can also buy a new shirt

Individual

▶ Individuals and Trade-Offs

- If you choose to spend more time at work Thursday night, you give up watching *Jersey Shore*

http://www.cleanvideosearch.com/media/action/yt/watch?videoid=PSU-_n81QT0

Businesses

- ▶ **Businesses and Trade-Offs**
 - A manufacturer who decides to use all her equipment to build chairs eliminates the possibility of building tables at the same time.

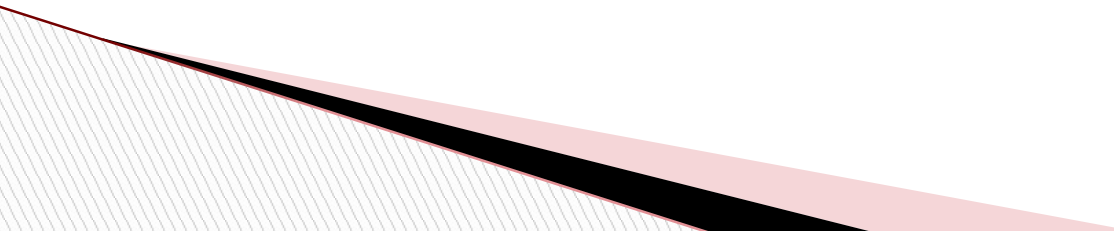
Society

▶ Society and Trade-Offs

- Guns or butter
 - A country that decides to produce more military goods (guns) has fewer resources to devote to consumer goods (butter)...vice versa
- The steel used to make a tank is no longer available for building the dairy equipment needed to make butter

http://www.cleanvideosearch.com/media/action/yt/watch?videoid=ApWWs_sZQQg

Opportunity Cost

- Opportunity Cost is the cost of the next best alternative use of money, time, or resources when one choice is made rather than another.
 - If we use our resources for one purpose, we give up the opportunity to use them for another
 - Opportunity costs are not always monetary; time can be a cost.
- 

Examples

When Jesse made his choice and decided to purchase the jeans, his opportunity cost was the next best choice – Blu Ray Player– that he gave up