

Review:

- Notes on the Factors of Production

Complete note taking guide, study before
Bench Mark #1

The Factors of Production



L A L A (gs)
CAP'EN

*I'll
Explain...*

Factors of production:

resources of land,

labor, capital &

entrepreneurship used

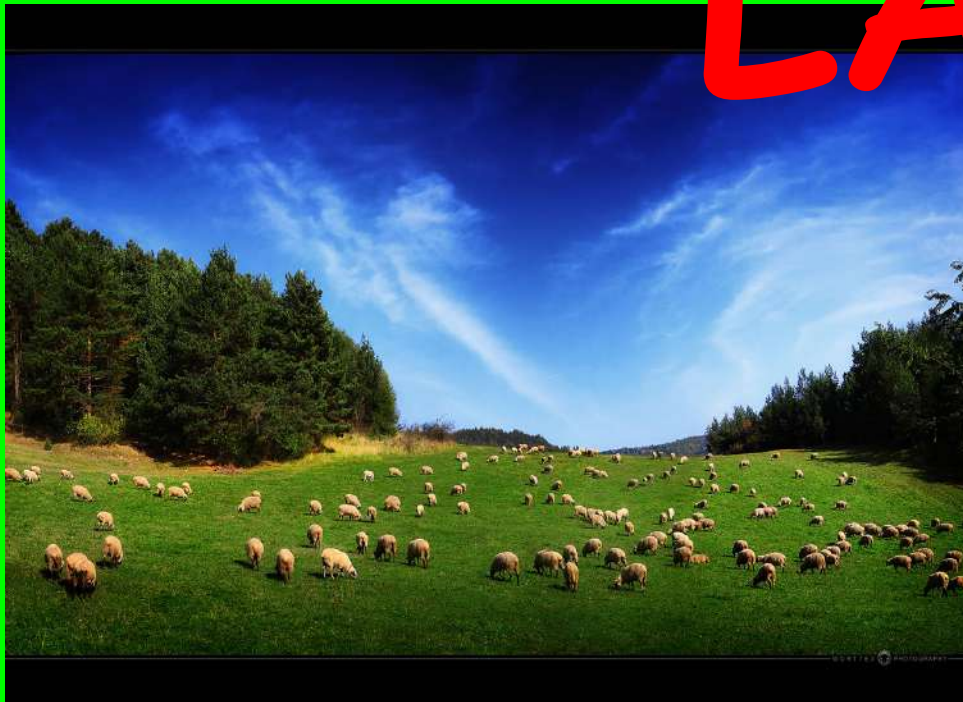
to produce

goods/services

A. Land: natural resources existing without human intervention

- surface land, water, minerals, fish, animals, trees...
“gifts of nature”

LA



B. Labor: human resources & efforts directed toward producing goods & services

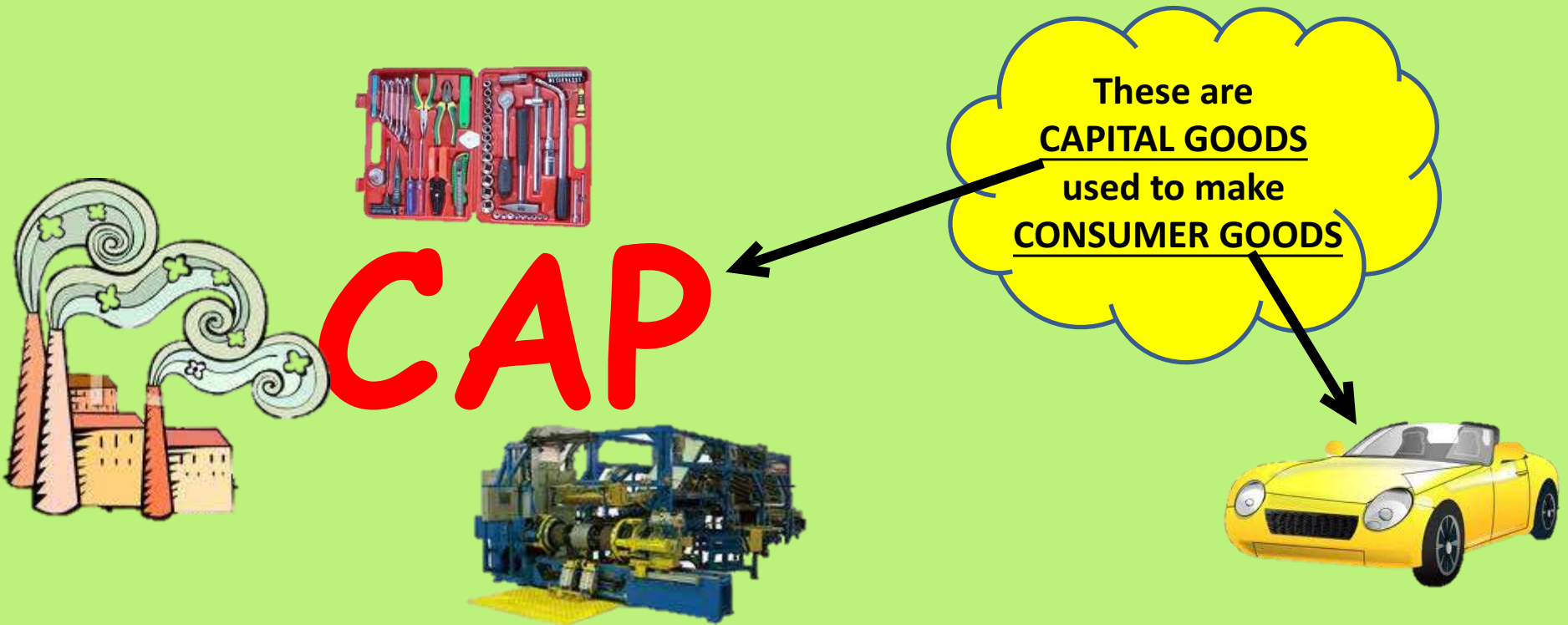
- **Goods**: items people can buy – medicine, clothing, cars
- **Services**: activities done for others for a fee – doctors, hair stylists, dog-walkers



LA (gs)



C. Capital: previously manufactured goods used to make other goods/ services



Machines, buildings, tools used to build cars = "capital goods" / the car itself = "consumer goods"

Can capital goods & consumer goods mix?.....

Yes!

Example: building a taxicab or FedEx truck.... Why??



A factory (**capital good**) creates a taxi car(**consumer good**)

BUT

The taxi car also provides a service to people as a taxicab
(**capital good**)

When capital is combined with land & labor, the value of all 3 factors of production increases

*An uncut diamond (land) + diamond cutter (labor) + diamond cutting machine (capital) = **BLING!***



Capital increases productivity

Productivity: greater quantities of goods & services are produced in better & faster ways

- Electronic \$\$ counter counting \$1,000 vs a you counting \$1,000



D. Entrepreneurship: the ability of individuals to start new businesses, introduce new products & processes & improve management techniques

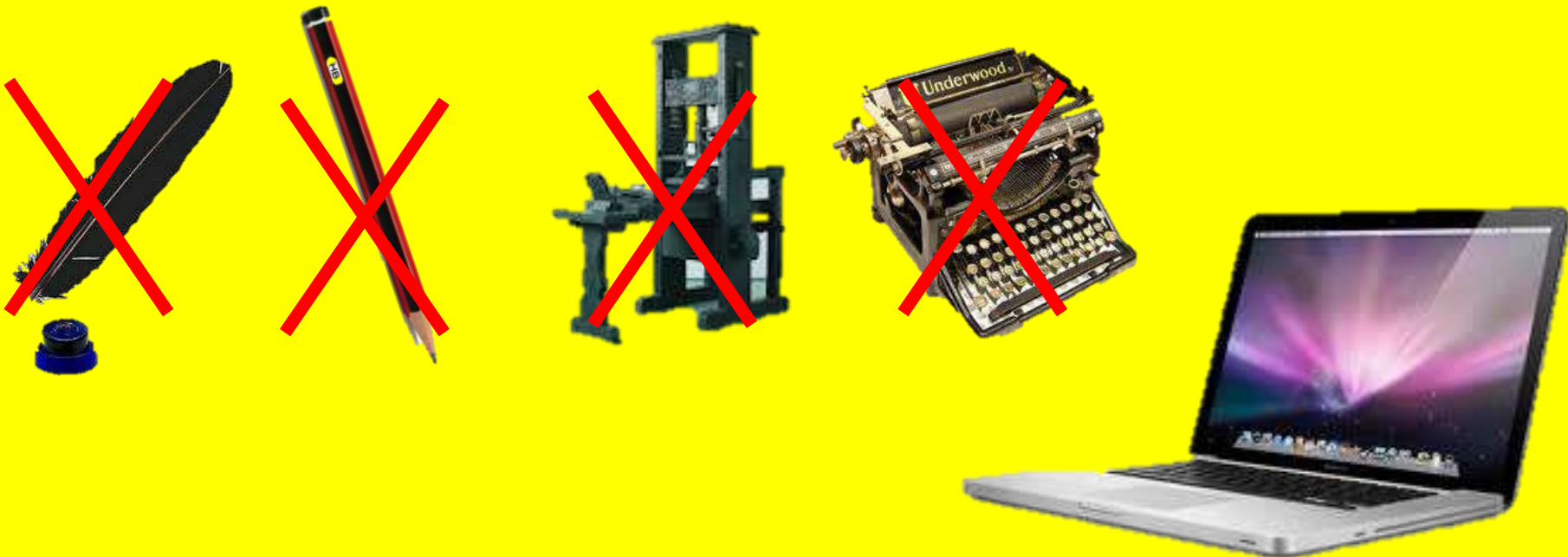
- Willing to take risks in order to reap profits
- Must absorb the costs of failed efforts
- 30% of new business enterprises fail – of the 70% that survive, only a few become very successful

EN



Technology: use of science to develop new products & methods for efficiently producing & distributing goods & services

- Computer vs. typewriter vs. printing press vs. pencil vs. feather & ink



Effect on Income & Wealth

- The distribution of factors of production affects a person/ nation's income
 - The more land & capital you have, the richer you'll most likely be
 - The greater your entrepreneurial skills, the more income you'll most likely make
 - The more natural resources your country is sitting on, the richer your nation will most likely be
 - *The less, the poorer...*

Factors of Production

Factors of Production: resources of land, labor, capital & entrepreneurship used to _____

A. _____: **natural resources** existing without _____

- land, water, minerals, fish, animals, trees "gifts of nature"



B. _____: **human resources** & efforts directed toward producing goods & services

- _____: items people can buy – medicine, clothing, cars
- _____: activities done for others for a fee
* doctors, hair stylists, dog-walkers



C. _____: **previously manufactured goods** used to make other goods/ services

- Machines, buildings, tools used to build cars = "_____ goods"
- The car itself = "_____ goods"
- *They CAN mix!!!! (think....taxicab)

Capital increases productivity

_____ : greater quantities of goods & services are produced in better & faster ways

Electronic \$\$ counter counting \$1,000 vs a person counting \$1,000

Etsy

D. _____: **the ability of individuals to start new businesses, introduce new products & processes & improve management techniques**

- Willing to take _____ in order to reap _____
- Must absorb the costs of failed efforts
- _____% of new business enterprises fail – of the 70% that survive, few are successful

_____ : use of science to develop new products & methods for efficiently producing & distributing goods & services

Computer vs. typewriter vs. printing press vs. pen/pencil vs. feather & ink



When capital is combined with _____ & _____, the value of all 3 factors of production increases

An uncut diamond (land)

+

diamond cutter (labor)

+

diamond cutting machine

(_____)

= **VALUE!!** (bling)

Effect on Income & Wealth

The distribution of factors of production affects a person/ nation's _____

- The more land & capital you have, the _____ you'll most likely be
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The less, the poorer...

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