Factors of Production

UNIT VIII - Fundamentals of Economics
What is Economics?

• The study of how we make decisions in a world where resources are limited
We all have...

- **Needs** - things required for survival
  - Food, shelter, water, clothing

- **Wants** - things we would like to have
  - PS4, iPad, vacation, entertainment, etc.
We satisfy our needs and wants through...

**Goods**
- Tangible products
- Cars, books, computers, etc.

**Services**
- Work performed by someone else
- Haircut, home repair, concerts
Four Factors of Production

- Resources necessary to produce goods and services
1. Land & Natural Resources

- The use of natural resources to assist in creating a product

- Examples:
2. Labor

- Human resources/Labor -- Physical/mental contributions toward the production of goods or services

- Varying types of labor
  - Blue Collar -- manual work
  - White Collar -- office work
3. Capital

- Tools, machinery, and buildings used to make other products

- Money $$$ is also considered capital (some would say the most important kind)
Capital Resources
Capital v. Consumer Goods

- **Capital goods**: satisfy wants indirectly by aiding in production of consumer goods
  - Hammer, tractor, tires

- **Consumer goods**: satisfy wants directly
  - Clocks, shoes, bicycles, radios
4. Entrepreneurship

- Start new businesses
- Introduce new products
- Improve management techniques
- Innovate/Create