

# Factors of Production



You can't make a good or service without some kind of resource. While you might immediately think of resources as tangible items, like money, that companies use to buy the machines to sew your jeans, or materials, like the fabric that your jeans are made of, resources can also be intangible things like ideas. The person who designed your jeans had the idea for how they should look, which is probably the most important reason for why you chose them.

The technical term for resources that can be used to produce goods or services is factors of production.

These resources are normally divided into four different categories:

- Natural resources
- Human resources
- Capital resources
- Entrepreneurship

Image source: <http://www.clipart.com>

# Natural Resources

## Renewable

Can be replaced  
Trees and animals

## Exhaustible

Limited, not replaceable  
Oil



Natural resources sound just like what they are. These are items provided by nature and found on Earth that are used to make something. Some people think of land as the only natural resource; however, there are lots of different kinds of natural resources. Some examples include:

- Fish-filled rivers or oceans
- Oil
- Coal
- Sunlight
- Rain
- Forests

Natural resources are typically divided into two categories: renewable and exhaustible.

Renewable resources can be replaced, for example by planting more trees or breeding more animals. Exhaustible resources, like oil, are limited. If they are used up, there's no way to make more.

Image source: <http://www.clipart.com>

# Human Resources

## Human effort or labor

Capitalize on types and skill levels



Any human effort or labor is considered a human resource. The labor can be intellectual or physical. Think about how you got to school this morning. Did someone build the car, train, or bike that you took?

The effort required to manufacture these items is an example of a physical human resource. The idea behind the design of each of these items is an example of a intellectual human resource.

Everybody has different types and levels of skills. Each person's input is a human resource, no matter the type of work they do, as long as the person uses his or her skills intellectually or physically.

Image source: <http://www.clipart.com>

# Capital Resources

## Manmade physical goods or manufactured materials

Buildings  
Computers  
Machinery  
Stores  
Factories  
Tools



Capital resources are manmade physical goods or manufactured materials that are used to create products.

Some examples include:

- Buildings where work takes place
- Computers
- Machinery
- Stores
- Factories
- Tools

Image source: <http://www.clipart.com>

# Entrepreneurship

## Person with ideas

Takes risks  
Organizes factors of production  
Creates something of value

*What traits make for a  
successful entrepreneur?*



An entrepreneur is a person with ideas. When an entrepreneur takes risks, it is called entrepreneurship.

Entrepreneurs use his or her ideas and abilities and takes the risk to start a new business. He or she also organizes the three previous factors of production (natural, human, and capital resources). The goal is to create something of value that a consumer will purchase.

Think about an entrepreneur you might know. This could be someone in your own town who started a small business or someone famous such as Michael Dell, Steve Jobs, or Oprah Winfrey. What traits do you think this person possesses that makes him or her a successful entrepreneur?

Image source: <http://www.clipart.com>

# Summary

## Resources + Human ingenuity

Nature  
Capital  
Human  
Entrepreneurs



## Factors of production

All factors of production  
necessary to produce goods



Resources and human ingenuity are the basis of goods and services. Without resources from nature, capital, human effort, and entrepreneurs, we wouldn't have any of the things that we use on a daily basis to fulfill our wants and needs.

The technical term for these resources is factors of production. The most important thing for you to remember is that it takes all of them in order to produce goods.

Image source: <http://www.clipart.com>