

the factors of production

foundations of economics

factors of production

- *factors of production* are the four resources that allow an economy to produce its output
 1. *land*
 2. *labor*
 3. *capital*
 4. *entrepreneurship (management)*

land

- *land* is defined as all raw and cultivated natural resources
 - it includes everything that grows on the land or is found under it
 - it includes everything that is found in or under the sea
 - it includes basic raw materials, such as gold, coal, oil, natural gas, etc.
 - it includes cultivated materials, such as wheat, rice, apples, corn, etc.

labor

- labor refers to the human resources used in the production of goods and services
- labor is the human work, both physical and intellectual, that contributes to the production of goods and services
- labor is the human factor of production

capital

- capital refers to the tools and technologies that are used to produce the goods and services we desire
- physical capital is the stock of manufactured resources, like factories, machinery, roads, and tools used to produce goods and services in the economy
- human capital is the value of the workforce
 - investment in education or health care would affect this
- infrastructure (social overhead capital) is the large scale public systems, services, and facilities of a country that are necessary for economic activity, i.e., roads, railways, schools, hospitals, ports, airports, electricity plants, etc

entrepreneurship

- *entrepreneurship* refers to the innovation and creativity applied in the production of goods and services
- also known as management
- they organize the other factors of production—land, labor, and capital—to produce goods and services
- they also use their personal money and the money of other investors to buy the factors of production, produce the goods and services, and hopefully, make a profit