

FOUNDATIONS OF ECONOMICS UNIT

THE FACTORS OF PRODUCTION

IB CORE CONCEPTS AND NOTES SPECIFICALLY RELATED TO THIS VIDEO

IB Core Concept	Standard Level and High Level Concept
Foundations of IB Economics	<ul style="list-style-type: none">Describe the factors of production <p>Source: IB Economics Subject Guide</p>

Factors of Production

- Factors of production are the four resources that allow an economy to produce its output
 - Land
 - Labor
 - Capital
 - Management (entrepreneurship)
- Land:**
 - Definition: Land is 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:**
 - Definition: Labor is the physical and mental contribution of the existing workforce to production.*
 - Labor is the human factor of production.
- Capital**
 - Definition: Capital is the factor of production that comes from investment in physical capital and human capital.*
 - 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.

- **Management** (entrepreneurship)
 - *Definition: Management is the organizing and risk-taking factor of production.*
 - 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.

Source: Jocelyn Blink and Ian Dorton. IB Economics: Course Companion, Second Edition.