Factors of Production

Types of Resources

Individuals, families, businesses, and the government make economic decisions concerning the use of a nation's resources. These resources are typically categorized into four groups called factors of production: land, labor, capital, and entrepreneurship.

Factors of Production

**Land** is the environmental resource. It includes all natural resources: land (including anything that grows on or below the soil), water, air, and wildlife. Some natural resources are plentiful, while others are scarce. Resources are classified as renewable and nonrenewable. A renewable resource is one that can be replaced, either naturally or by man. A nonrenewable resource is one that cannot be replaced in a timely manner or at all by nature or by man. Payment for the use of land is called rent.

**Labor** is the mental and physical efforts of people applied to the production of goods and services. Labor is an important element of production. Workers labor to make goods and provide services. Payment for labor is called wages. In 1913, the Department of Labor was established to enforce laws created to protect workers against unfair labor practices by businesses.

**Capital** is the money, buildings, and machinery and equipment used to produce goods and services. Payment for investing capital is called interest. Capitalism is an economic system used by many nations, including the United States. Under this system, private individuals and corporations own the capital used to produce goods and services.

**Entrepreneurship** is the risk-taking resource. Entrepreneurs are people who combine labor, land, and capital resources to start businesses. Not every business is successful; sometimes they fail. Payment for risk-taking or entrepreneurship is called profit. An important characteristic of capitalism is free enterprise: individuals own businesses to make a profit. The profit motive, the possibility of making money, is the main reason people take the risk of starting a business. Competition between businesses allows consumers to purchase the best quality product at the lowest price.
Assessment

Matching

1. entrepreneurship  a. the environmental resources
2. free enterprise   b. the risk-taking resource
3. capital           c. mental and physical efforts of people applied to the production of goods and services
4. labor            d. individuals own businesses to make a profit
5. land             e. money, buildings, machinery and equipment used to produce goods and services

Fill in the Blank

1. Resources are typically categorized into four groups called ____________________________
   ____________________________: land, labor, capital, and entrepreneurship.
2. Payment for the use of land is called ____________________________.
3. Payment for labor is called ____________________________.
4. ____________________________ is an economic system used by many nations, including the United States.
5. Payment for risk-taking or entrepreneurship is called ____________________________.

Constructed Response

A renewable resource is one that can be replaced, either naturally or by man. A nonrenewable resource is one that cannot be replaced in a timely manner or at all by nature or by man. Complete the table by listing resources under the correct heading.

<table>
<thead>
<tr>
<th>Renewable Resources</th>
<th>Nonrenewable Resources</th>
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<tbody>
<tr>
<td>Example: trees</td>
<td>Example: gold</td>
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