**LESSON 4**

**PRODUCTIVE RESOURCES**

**Introduction**

Goods and services are available in an economy to satisfy wants. Wants are satisfied by the production of goods and services that require the use of productive resources. The “factors of production” used to produce goods and services are natural resources (land), human resources (labor), and capital resources (man-made goods). The lack of sufficient resources to produce all the goods and services that people desire is known as scarcity.

Important Concepts

**Productive Resources** - - the land (natural resources), labor (human resources), and capital (tools, equipments, buildings, etc.) used to make goods and services.

**Capital Resources** – things made by people that are used in production; such as tools, buildings, and machines.

**Human Resources** – ( Labor) – the work that people do in production.

**Natural Resources** – (Land) - things found in nature that are used in production, such as water, minerals, land, and trees

**Scarcity** – when people’s wants are greater than the resources for satisfying those wants.

**Specific Teaching Activities**

**Decide on a simple product that your class is going to produce, if not already decided.**

Teach students about production and productive resources. Form 4-1 of the production process may be helpful. It illustrates how the productive resources (land, labor, and capital) are combined to produce goods and services. Make a copy of Form 4-2 for each student. Ask the students to identify the productive resources needed to produce and sell their product. Have the students classify the resources and write them on Form 4-2. Younger students may wish to draw pictures of the resources.

**Questions To Ask Your Students**

Are the productive resources needed to make our product scarce? *(Yes)* Why? *(If they were free, there would not be enough for everyone to have all that they wanted.)*

Because the productive resources are scarce, how do we obtain them to make our product? *(We have to buy them. Sometimes people want to donate in the classroom. Students should know that they cost.)*

What is the opportunity cost of using these productive resources to make our product? *(The other possible uses for the resources, i.e., the things that would not be made from the resources as a result of using them to produce our product)*

Economics and Entrepreneurship

**Teaching Tips**

Point out that even donated resources are still scarce. They are valuable, and if they were made freely available, other people would want to use them.

Also point out less obvious productive resources that students may not have identified, such as the use of the school building, electricity, water, etc.

Classify raw materials you may need, such as paper, yarn, wax, etc., as natural resources. This is not strictly accurate but these intermediate materials certainly contain natural resources and are best classified in this manner.

**Estimate the Cost of Producing the Products**

Important Concepts

**Costs** what businesses pay for productive resources; expenses a business pays to produce a product.

**Rent** the money a business pays for using (leasing) capital resources, usually buildings and equipment.

**Wages** the money a business pays for labor resources.

**Specific Teaching Activities**

With your students, estimate the cost of producing your products by using the Product Cost Computation Sheet (Form 4-3). In the blank at the top of the sheet, put the number of products that you will use for your cost calculations. This number normally would be the amount that gives the most sales revenues, as calculated on the Market Survey Summary

In many cases resources will be donated, or can be used free of charge. Some teachers include these kinds of costs in their calculations. For example, the teacher may require the business to pay the school for the use of school facilities, electricity, etc. Whether or not the teacher charges the business for donated resources, the students should understand that these donated resources are still scarce, and in the real world would be actual costs of business.

How teachers handle student labor costs varies. In some classroom businesses the students do not receive wages, and labor costs are, therefore, zero. In other projects, teachers pay their students money wages for their work. In this more realistic situation, the teacher must include student wages in the cost calculations.

To calculate the average cost of producing one product, merely divide the Grand Total by the total number of products.

Economics and Entrepreneurship

**Questions to Ask Students**

What are some of the costs of the productive resources we need for our project? *(Answers will vary. You will have to research some of these costs before completing Form 4-3.)*

What productive resources are we using at no cost to us? *(Electricity, school rooms, donated materials, water, etc.)*

Are the resources that are donated still scarce? *(Yes!)*

Are there other ways that we can reduce our costs without sacrificing our product quality? *(There probably are. Discuss with students.)*

Economics and Entrepreneurship

**Form 4-1**

**PRODUCTION**

**PRODUCTIVE RESOURCES**

 **Natural Human Capital = Goods & Services**

 **Resources**

 **(LAND) (LABOR) (CAPITAL) = GOODS & SERVICES**

(Draw pictures to represent resources.)

 **INPUTS = OUTPUT**

Economics and Entrepreneurship

**FORM 4-2**

**Identifying Productive Resources**

|  |  |  |
| --- | --- | --- |
| **Natural Resources****(Land)** | **Human Resources****(Labor)** | **Capital Resources****(Tools, Equipment, Etc.)** |
|  |  |  |

Economics and Entrepreneurship

 **FORM 4-3**

**Product Cost Computation Sheet**

Our cost estimate will assume we are producing products.

|  |  |  |  |
| --- | --- | --- | --- |
| Productive**Resources** | Quantity | Cost per unit | Total CostQuantity X Unit Cost |
| Natural Resources(Land) |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Labor Resources (Human) |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Capital Resources (Man-Made) |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  | **Total** |  |

Economics and Entrepreneurship