



## FACTORS OF PRODUCTION

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### Definition/Background

The factors of production (or productive resources) are the natural, human and capital resources used by entrepreneurs to make goods and provide services. Virginia's elementary SOLs divide resources into three categories: natural, human and capital. In the middle school and beyond, students learn about entrepreneurship, which is often considered a fourth "factor of production."

Land stands for natural resources or gifts of nature such as oil, iron ore, forests and water. There is sometimes confusion here. When a natural resource such as wheat is turned into flour, the flour is a good, not a natural resource. If the flour is used to bake bread, the flour is an intermediate good and the bread is a final good. Labor refers to human resources. It reflects the abilities of people and includes people's health, strength, education, motivation and skills. The labor force is the number of people in an economy willing and able to work. Capital refers to man-made things used in production: buildings, equipment, roads, dams, tools and machinery are examples. Finally, entrepreneurship is a special kind of labor that represents the characteristics of people who assume the risk of organizing productive resources to produce goods and provide services.

### Teaching Ideas

1. List 10 products that can be made using apples. Extra Credit: What human and capital resources are needed to make each product?
2. Construct a "Factors of Production" mobile using coat hangers, paper, yarn, glue, markers and scissors. Identify the productive resources used to make the mobile.
3. Visit the cafeteria. Return to class and write an essay on the factors of production needed to prepare and serve a school lunch.
4. Cook in the classroom. While the students are eating the results of a simple recipe discuss the productive resources that were necessary to prepare it.

### Lessons & Resources

#### Print Lessons

**Spotting Economics: From Africa to Ice Cream**, Lesson 14: Resources for Making Ice Cream (elementary)

**Focus: K-2 Economics**, Lesson 6: Should We Produce Bread or Muffins? (elementary)

#### Online Lessons

**The Goat in the Rug** (elementary)

<http://ecedweb.unomaha.edu/lit-goat.htm>

**Music, Maestro, Please: Show Business and the Factors of Production** (upper elementary, middle)

<http://www.econedlink.org/lessons/index.php?lesson=EM343&page=teacher>

**The Productive Blues (Jeans)** (upper elementary, middle)

<http://www.econedlink.org/lessons/index.php?lesson=229&page=teacher>

#### Fed Resources

**Lemonade For Sale** (elementary)

[http://www.richmondfed.org/education/for\\_teachers/lesson\\_plans\\_and\\_classroom\\_activities/index.cfm](http://www.richmondfed.org/education/for_teachers/lesson_plans_and_classroom_activities/index.cfm)

#### Literature

- **The Beeman** by Laurie Krebs. Barefoot Books, 2009. An explanation of the tools and skills necessary to take care of bees and harvest the honey. [Grades K-3]
- **The Pen that Pa Built** by David Edwards. Tricycle Press, 2007. The wool-making process is described through rhyme. [Grades K-3]
- **Bread Comes to Life: A Garden of Wheat and a Loaf to Eat** by George Levenson. Tricycle Press, 2008. This is the complete story of bread, from start to finish. [Grades 3-6]
- **Lunch Money** by Andrew Clements. Simon & Schuster Books for Young Readers, 2005. Sixth grader Greg Kenton displays all the characteristics of an entrepreneur when he produces comic books for the students in his school. [Grades 4-7]
- **Lemonade for Sale** by Stuart J. Murphy. Harper Collins Publisher, 1998. The Elm Street Kids' Club produces and sells lemonade so that they can earn enough money to fix up their clubhouse. [Grades 2-6]

## VIRGINIA COUNCIL ON ECONOMIC EDUCATION

VCEE is a nonprofit organization providing Virginia's K-12 teachers with professional development, quality curriculum and other resources to promote economic and financial education. Visit [www.vcee.org](http://www.vcee.org) or contact VCEE or one of its affiliated centers for economic education to learn about specific opportunities.

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The Virginia Council on Economic Education, in cooperation with The Federal Reserve Bank of Richmond, is pleased to provide this poster featuring a winning entry from the 2008-2009 Color the Economic Concepts Contest.

**Teachers in Grades K-8:** Give your students the opportunity to illustrate their knowledge of economic concepts in a creative and fun way. They may be selected for a poster next year! Winning students also receive a \$50 U.S. Savings Bond.

**Entries must be received by April 30, 2010.** See [www.vcee.org](http://www.vcee.org) for more details.

For more resources on teaching economics and the Federal Reserve System go to [www.richmondfed.org/educational\\_info](http://www.richmondfed.org/educational_info). Among these free and easy to use resources you'll find lesson plans, workshop information and publications.

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