**Types of Resources**

The need for making choices arises from the problem of scarcity. Scarcity exists because people’s wants and needs are greater than the resources available to satisfy them. Thus people must choose how best to use their available resources to satisfy the greatest number of wants and needs.

A resource is anything that people use to make or obtain what they want or need. Resources that can be used to produce goods and services are called factors of production.

Economists usually divide these factors of production into three categories: (1) natural resources, (2) human resources, (3) capital resources. Today many economists have added technology and entrepreneurship to this list.

Natural Resources

Items provided by nature that can be used to produce goods and to provide services are called natural resources. Natural resources are found in/or on the earth or in the earth’s atmosphere. Examples of natural resources on the earth are fertile land, vegetation, animals, and bodies of water. Minerals and petroleum are examples of natural resources that are found in the earth. Atmospheric resources include the sun, wind and rain. A natural resource is considered a factor of production only when it is used to produce goods and to provide services.

Human Resources

Anyone who works is considered a human resource. Any human effort that is exerted in production process is classified as a human resource. The effort can be either physical or intellectual. Assembly-line workers, ministers, professional sports figures, physicians, store clerks, and sanitation engineers are all human resources.

Capital Resources

The money and capital goods that are used to produce consumer products are called capital resources. Capital goods include the buildings, structures, machinery, and tools that are used in the production process. Department stores, factories, industrial machinery, dams, ports, wrenches, hammers, and surgical scalpels are all examples of capital goods.

Economists make an important distinction between capital goods and consumer goods. Capital goods are the manufactured resources that are used in producing finished products. Consumer goods are the finished products – the goods and services that consumers buy.

Some products can be either capital goods or consumer goods, depending on how they are used. A bicycle purchased for personal use is a consumer good. The same is not true when the bicycle is purchased by a New York messenger service. Because the messenger service will use the bicycle to make deliveries – to provide a service – the bicycle is considered a capital good.

Technology

The use of science to create new products or more efficient ways to produce products is called technology. Technology makes the other factors of production – natural, human, and capital resources – more productive. Technological advances in the computer industry, for example, have increased efficiency in the workplace.

Entrepreneurship

The risk-taking and organizational abilities involved in starting a new business or introducing a new product to consumers are called entrepreneurship. The goal of entrepreneurship is to create a new mix of the other factors of production and thereby create something of value. The entrepreneur is a person who attempts to start a new business or introduce a new product.