AQA Economics AS-level
Microeconomics

Topic 1: Economic Methodology and the Economic Problem

1.3 Economic resources

Notes

- Economic resources are the factors of production. These are land, labour, capital and enterprise.
- The factors of production (CELL):

Factor	Description	Reward/Incentive
Capital	Physical: goods which can be used in the production process Fixed: Machines; buildings Working: finished or semi-finished consumer goods	Interest from the investment
Entrepreneurship	Managerial ability. The entrepreneur is someone who takes risks, innovates, and uses the factors of production. Resources are drawn together into the production process.	Profit- an incentive to take risks
Land	Natural resources such as oil, coal, wheat, water. It can also be the physical space for fixed capital.	Rent
Labour	Human capital, which is the workforce of the economy.	Wages

- The environment is a scarce resource. There are only a limited amount of resources on the planet. These are made up of renewable and non-renewable resources.
- Renewable and non-renewable resources:

- Renewable resources can be replenished, so the stock level of the resources can be maintained over a period of time. For example, commodities such as oxygen, fish, or solar power are renewable assuming the rate of consumption of the resource is less than the rate of replenishment. If the resource is consumed faster than it is renewed, the stock of the resource will decline over time.

- This is important in environmental economics, and can be managed by preventing or limiting deforestation, or imposing fishing quotas. Renewable resources are sustainable. However, currently, resources are being consumed faster than the

planet can replace them. The Worldwide Fund for Nature claims that two planets will be required to meet global demand by 2050 if this continues.

- Non-renewable resources cannot be renewed. For example, things produced from fossil fuels such as coal, oil and natural gas are non-renewable. The stock level decreases over time as it is consumed. Methods such as recycling and finding substitutes, such as wind farms, can reduce the rate of decline of the resource.