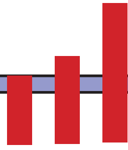


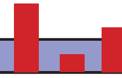
Economics Made Easy

What is Capital?

Businesses invest in capital to produce goods and provide services. **Capital** includes computers, machines, buildings, inventories, land, and intellectual property (software, research and development, and artistic originals like music and art). These are also known as "capital input" in estimates of **total factor productivity**.

For example, in a bakery you need a variety of capital:

- Building—structural capital
- Oven—equipment capital
- Family recipe for the cookies—intellectual property
- Flour and frozen dough—inventory



Glossary

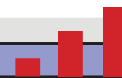
Capital — The tools (equipment, structures, inventories, land, intellectual property, etc.) used to produce goods and services.

Capital investment — The payments made to purchase or rent capital assets.

Total factor productivity — The efficiency at which combined inputs are used to produce output of goods and services.

Did you know?

Financial capital is not considered capital in the measurement of total factor productivity. This removes investor decisions and focuses on production decisions.



DIY Data

BLS produces various capital measures for different asset types and industries within the U.S. economy. You can explore capital investment data by visiting bls.gov/productivity/tables/.

Capital helps businesses and workers produce things more efficiently. This can reduce the cost of goods and services and have other positive effects on productivity growth. Capital makes up about 40 percent of total production costs in the economy. Capital accumulates over time as investments from previous years are used in future years.