

# Factors of production

**An economic term to describe the inputs that are used in the production of goods or services in the attempt to make an economic profit.**

**The factors of production include land, labour, capital and entrepreneurship.**

# Factor markets

- A market place where factors of production A market place where factors of production such as labour A market place where factors of production such as labour, capital A market place where factors of production such

No.	Factor of Production	Reward
1	<b>Land</b> - all natural resources including oil, fish, soil, forests.	Rent
2	<b>Labour</b> - the skills of the workforce and the quantity of labour they produce.	Wages
3	<b>Capital.</b> - investment in man-made aids to production including buildings, factories, computers.	Interest
4	<b>Entrepreneurship</b> - the risk-taking role of business owners undertaken in the pursuit of profit. Can be considered as a specialised form of labour.	Profit

# Demand for factors of production

- The willingness and ability of businesses to hire or employ factors of production.
- The 3 most important determinants that shift the factor demand curve are:
  - (a) product price,
  - (b) factor productivity, and
  - (c) prices of other factors.



# Supply for factors of production

- The willingness and ability of scarce resources or factors of production to offer their services for use in business activities.
- Supply of factors is determined by:
  - a) resource prices, technology, other prices, expectations, and number of sellers.
  - b) income, preferences, and other prices-dd
  - c) Mobility of the factors.

# Equilibrium in the factor markets.

*Price = cost of factors of production.*

*Quantity = amount of the factors of production.*

