

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	Land - all natural resources including oil, fish, soil, forests.	Rent
2	Labour - the skills of the workforce and the quantity of labour they produce.	Wages
3	Capital. - investment in man-made aids to production including buildings, factories, computers.	Interest
4	Entrepreneurship - 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.

