

## CHAPTER 2 : Factors of production

### Key terms

1. Factors of production : economic resources of land, labour, capital and enterprise
2. Land : natural resources such as oil and coal
3. Labour : workers who are used in production of goods and services
4. Capital goods : human-made goods used in production
5. Consumer goods : goods and services purchased by households for their own satisfaction
6. Enterprise : who take risks and make key decisions in business.
7. Occupationally mobile: capable of changing use
8. Geographically immobile: incapable of moving from one location to another Location
9. Mobility of labour : the ability of labour to change where it works or in which occupation
10. Mobility of capital : the ability to change where capital is used or in which occupation
11. Mobility of enterprise: the ability to change where enterprise is used or in which occupation
12. Entrepreneur : a person who bears the risks and makes the key decisions in a business
13. Labour force : people in work and those actively seeking work.
14. Productivity : the output per a factor of production per period of time
15. Labour productivity : output per worker hour.
16. Output : goods and services produced by the factors of production.
17. Investment : spending on capital goods.
18. Gross investment : total spending on capital goods
19. Depreciation (capital consumption) : the value of capital goods that have worn out
20. Net investment : gross investment - depreciation.

## 1. Factors of production

Factors of production	Definition	Example	Return
1.Land	Natural resources	oil and coal	Rent
1.Labour	Workers who are used in production of goods and services	Builder, teacher	Wage
1.Capital	Human-made goods used in production	Machines, equipment, tools	Interest
1.Enterprise	Who take risks and make key decisions in business	The owner of a business	Profit

## 2. Mobility of factors of production

Factors of production	Geographically mobility	Occupationally mobile
1.Land	Geographically immobile	Occupationally mobile
2.Labour	Geographically immobile	Occupationally immobile
3.Capital	Depend	Occupationally immobile
4.Enterprise	Geographically mobile	Occupationally mobile