

## GRADE 8

### ECONOMICS

#### TOPIC: FACTORS OF PRODUCTION

##### Week # 2 Lesson

1. Explain the four factors of production.

The four factors of production are categorized as:

- a) Land: Any natural resource used to produce goods and services is called land. This includes not just land but anything coming from land. These resources may be renewable such as forests or nonrenewable such as oil and natural gas.
- b) Labour: it is the mental or physical effort that people contribute to the production of goods and services. Mental effort can be services of a teacher, lawyer etc where as physical effort can be the work done by a carpenter or a plumber.
- c) Capital: any man made resource used to produce other goods and services is called capital. Examples can be offices, factories, machinery etc.
- d) Entrepreneur: is a person who combines the other factors of production: land, labour and capital, to earn profit. He is the one bearing risk and managing decision making.

2. What are the rewards for factors of production?

The rewards of factors of production are:

- a) Land is paid rent.
- b) Labour is paid wages
- c) Capital is paid interest
- d) Entrepreneur gets reward in terms of profit.

3. Differentiate between free goods and economic goods.

Free goods are 'goods' which are useful but not scarce; they are in sufficiently abundant supply that all agents can have as much of them as they wish at zero social opportunity costs.

Contrary to this, economic goods are those goods which command value in the market as they are scarce goods. Any goods which has a price is scarce and thus command value in the market and has an opportunity cost.

4. Differentiate between capital goods and consumer goods.

Capital goods are used as an input in the production of other goods rather than being bought by the consumers e.g. tractors, machines.

Whereas consumer goods are being bought by the consumers e.g. food clothing.

5. What is factor mobility?

Factor mobility refers to the ability to move factors of production - labor, capital or land - out of one production process into another. Factor mobility may involve the movement of factors between firms within an industry, as when one steel plant closes but sells its production equipment to another steel firm. Mobility may involve the movement of factors across industries within a country, as when a worker leaves employment at a textile firm and begins work at an automobile factory. mobility may also involve the movement of factors between countries either within industries or across industries, as when a farm worker migrates to another country or when a factory is moved abroad.

6. Write a note on mobility of all factors of production.

**Mobility of land:**

Land is occupationally mobile where as it is geographically immobile.

Occupationally mobile: means that it can be used for a number of purposes i.e. it is capable of changing use. E.g. land which is used for farming can be used to build house.

Geographical mobility: means it is incapable of moving from one location to another location.

e.g. it is not possible to move a section of land from Sri Lanka to India.

**Mobility of Capital:**

The geographical and occupational mobility of capital varies according to the type of capital goods. Some types of capital goods can be transferred from one part of the country to the other. A photocopier used by a bank in one area of a country can be sold to and then used by a bank in another area. A coal mine and a dock, however are fixed in position and so are geographically immobile. They are also occupationally immobile since their use cannot be changed, as they have been made for a specific purpose. In contrast. a delivery van. used originally by a book publisher may be bought and employed by a toy manufacturer to distribute its products. Similarly, an office block may be used for a variety of purposes. It may house a call center or an accountancy firm.

**Mobility of Labour:**

The mobility of labour varies. Some workers may find it difficult to move from one area of the country to another or from one country to another (geographical immobility) and some may find it difficult to switch from one type of job to another type (occupational immobility).

**The causes of geographical immobility include:**

- differences in the price and availability of housing in different areas and countries.
- family ties. People may be reluctant to leave the country they are currently living in because they do not want to live away from friends and relatives.
- differences in educational systems in different areas and countries.
- lack of information. People without jobs or those in poorly paid jobs may stay where they are because they are unaware of job opportunities elsewhere.
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**The causes of occupational immobility include:**

- Lack of information
- Lack of appropriate skills and qualifications

**Mobility of Enterprise:**

Enterprise is the most mobile factor of production. The skill involved can be applied in every industry. Someone who has borne uncertain risks and organized factors of production in the car industry should be able to do this in, for instance, the textile industry too. Apart from being occupationally mobile, enterprise is also geographically mobile. Someone who has been successful in starting up and running a business in one country is likely to be successful in another country also.