

Exercise walk-through

Factors of production ■ 1.2

eXercise

You must be able to

- name the four factors and the reward each earns
- explain the mobility of a factor
- explain how the quantity and quality of factors can change

Method — The four factors

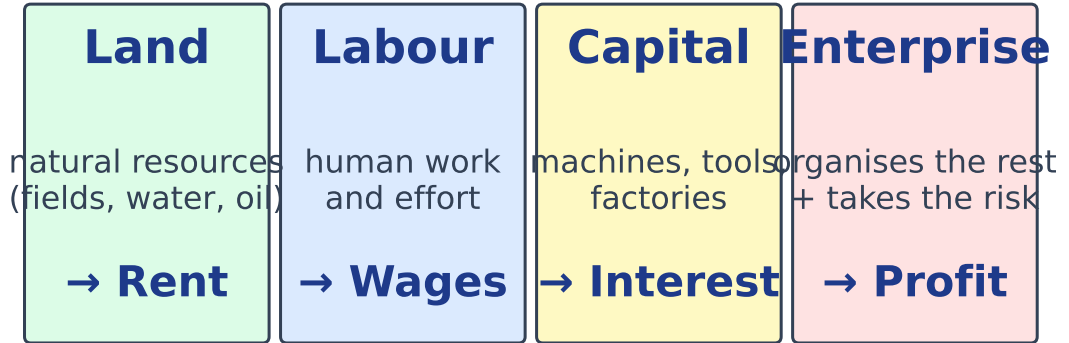
Factor	Reward
land 土地	rent 地租
labour 劳动	wages 工资
capital 资本	interest 利息
enterprise 企业家才能	profit 利润

Method — The four factors

- **Mobility** 流动性: how easily a factor moves to a new use (a multi-skilled worker is mobile; a fixed factory is not).
- **Quantity** and **quality** can change — training and technology raise quality, so each factor produces more.

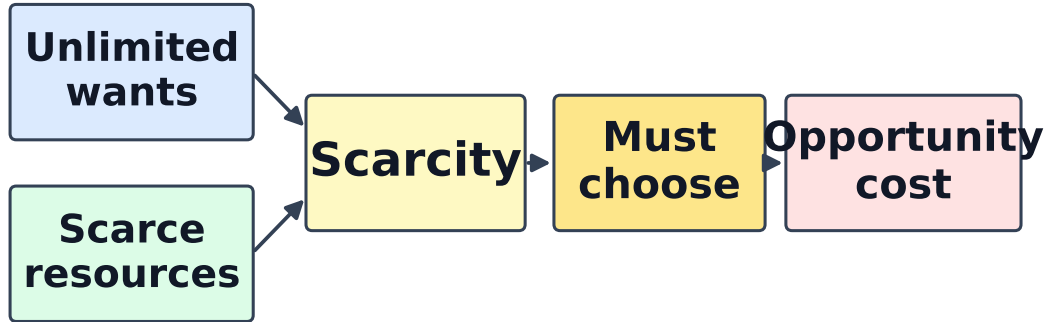
Answer shapes: $K + App + An + Ev$ (a justified judgement, for discuss questions).

Method — The four factors



The four factors of production and the reward each one earns

Method — The four factors



Scarcity forces choice, and every choice has an opportunity cost

Practice 2.1 ■ 2 marks

State the reward earned by each of the four factors of production.

Solution 2.1

Method: The four factors

Worked steps

land $\rightarrow$ rent; labour $\rightarrow$ wages; capital $\rightarrow$ interest; enterprise $\rightarrow$ profit (2 for all four; 1 for two or three).

Practice 2.2 ■ 2 marks

Define the term *capital*.

Solution 2.2

Worked steps

the man-made things used to produce goods and services, such as machines, tools and factories (2 for a clear definition; 1 for a partial idea).

Practice 2.3 ■ 2 marks

Define the term *mobility of labour*.

Solution 2.3

Method: The four factors

Worked steps

how easily a worker can move from one job or use to another (2 for a clear definition; 1 for a partial idea).

Exam-style 3.1 ■ 1 mark

The reward to the factor **enterprise** is:

A rent

B wages

C interest

D profit

Solution 3.1

Method: The four factors

A rent

B wages

C interest

D profit



Worked steps

D. Enterprise earns profit.

Exam-style 3.2 ■ 4 marks

Explain two ways the quality of the factor labour could be improved.

Solution 3.2

Method: The four factors

Worked steps

[4] For **each** of two ways: $K \uparrow + A \uparrow$ — e.g. *education and training* raise workers' skills $\rightarrow$ they produce more and better; *better healthcare* keeps workers fit $\rightarrow$ they work more productively.

Exam-style 3.3 ■ 6 marks

Analyse why some workers are more occupationally mobile than others.

Solution 3.3

Method: The four factors

Worked steps

[6] K/App/An — occupational mobility depends on a worker's skills: a worker with many transferable skills can move easily to a new job, while one with a single narrow skill cannot; training and qualifications raise mobility, but some jobs need specific skills or licences that take years to gain → so the more general and transferable a worker's skills, the more occupationally mobile they are.