

Wages, Interest & Rent

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In economics, **factor payments** are the **income** people receive for supplying the factors of **production**: land, labor, capital or entrepreneurship.

Payments made of scarce resources, or the **factors of production** in return for productive services.¹ They are also categorized according to the services of the productive resources being rewarded. As wages are being paid for services of labor, interest is paid for the services of capital, rent is paid for the services provided by the land or other immovable assets and profit is for the factor of payment to entrepreneurship.

An economy is dependent on the production of goods and services, hence factors of production are required for the production of goods and services. They are broadly divided in the three factors of production: **land**, **labor**, and **capital**. Land is the primary factor of production. Labor is the specific factor of production and payment is made in the form of wage. Capital is regarded as secondary factor of production as it can be manipulated by economic activity. Payment received would be in the form of interest. Later Entrepreneurship was added as the fourth factor of production. It earns profit to the entrepreneur.

Factors of production are owned by households and they supply these factors of production to firms and in return earn wages, interest, rent and profit. Households buy goods and services with this money.

form of wages, rent, interest.