

Big Ideas about Factor, or Resource, Markets

1. The economic concepts are similar to those for product markets.
2. The demand for a factor of production is derived from the demand for the good or service produced from this resource.
3. A firm tries to hire additional units of a resource up to the point where the resource's marginal revenue product (MRP) is equal to its marginal resource cost (MRC).
4. In hiring labor, a perfectly competitive firm will do best if it hires up to the point where $MRP = \text{the wage rate}$. Wages are the marginal resource cost of labor.
5. If you want a high wage:
 - (A) Make something people will pay a lot for.
 - (B) Work for a highly productive firm.
 - (C) Be in relatively short supply.
 - (D) Invest in your human capital.
6. Real wages depend on productivity.
7. Productivity depends on real or physical capital, human capital, labor quality and technology.