**Factors of Production**

This is the collective term for the economic resources in the production system. It is these inputs that are transformed into the output of final goods and services. Economists group the resources into four categories.

*Land*is the term for all natural resources that are used in production. Raw materials are therefore taken from the stock of natural assets. The economic reward that goes to the owners of this factor of production is called rent.

*Labour*can be defined as the sum of all the physical and mental effort that goes into production and includes the tasks of management. The economic return to those who supply labour is wages / salaries.

*Capital*is the economic term for any man-made productive asset. It is business capital that is the factor of production rather than personal or social capital.

Business capital refers to the physical capital equipment and property of firms. The economic reward to capital is called interest.

*Enterprise*is regarded as the coordinating factor of production. It involves both the organization of the economic resources and an element of risk taking, its reward is profit.

*Taxation***.** Everyone knows that taxation is necessary in a modern state. Taxes are a part of life. Governments argue that taxes are a necessary evil – the price of a «civilized society». In fact, taxes help governments to pay massive amounts of money to operate and provide necessary services. Taxes are needed to pay salaries, they provide roads, schools and hospitals and help to pay the bill for such services as garbage collection\* and postal delivery\*. Without taxes it would not be possible to pay the soldiers and policemen who protect us; not the workers in government offices who look after our health, our food, our water, and all other things that we cannot do for ourselves; not also the ministers and members of parliament who govern the country for us. By means of taxation we pay for things that we need just as much as we need somewhere to live and something to eat. Taxes can be divided into two categories: direct and indirect. Income tax, corporate tax, and property tax are examples of direct taxes. Income tax is probably the most resented, because in some lands it is progressive – the more you earn, the more tax you pay. Indirect taxes include sales taxes, taxes on liquor and cigarettes, and customs duties.

Though everyone knows that taxation is necessary, different people have different ideas about how taxation should be arranged. Should each person have to pay certain amount of money to the government each year? Or should there be a tax on things that people buy and sell? If the first kind of taxation is used should everyone pay the same tax, whether he is rich or poor? If the second kind of taxation is preferred should everything be taxed equally? Nobody enjoys paying taxes, many people try to find different ways to avoid paying certain taxes. That′s why whenever a new tax is proposed, legislators try to close any possible loopholes\*.