



THEORIES OF RENT

[Frequently Asked Questions]

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Rent - Concept ;
Ricardian and modern theories of
rent ;
Quasi - rent

Lecture No : 3

&

Title : Theories of Rent

FREQUENTLY ASKED QUESTIONS

RICARDIAN THEORY OF RENT

Q-1. What is Rent?

A-1. Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil.

Q-1. What does theory of Ricardo seek to explain?

A-1. According to Ricardo rent is available to land because of its productivity. More productive land gets more rent and least productive land obtains transfer earning or cost of production.

Q-1. Why more fertile land gets rent?

A-1. As more fertile land has more revenue generation capacity against less fertile land. The additional earning of this land is considered as rent.

MODERN THEORY OF RENT

Q-1. What is Rent?

A-1. Rent accrues to land and other free gifts of nature, whose supply is fixed in the short as well as in the long run.

Q-2. What does modern theory seek to explain?

A-3. According to modern writers rent is available to all the factors due to their scarcity.

Q-3. What is scarcity rent?

A-3. According to modern writers rent is the excess of income which a factor of production gets over and above its transfer earning or minimum supply price.

QUASI RENT

Q-1. What is Rent?

A-1. Rent accrues to land and other free gifts of nature, whose supply is fixed in the short as well as in the long run.

Q-2. What is quasi-rent?

A-2. Quasi rent is only a temporary surplus which is enjoyed by the owner of the capital equipment in the short run due to increase in the demand for it and which will disappear in the long run due to increase in the supply of capital equipment in response to the increased demand Dr. Marshall calls it Quasi rent.

Q-3. Why quasi-rent arises in the short run?

A-3. The supply of machinery, building etc is fixed in the short period. Now if their demand increases, their supply cannot be increased in the short period. The result is that the owners of machinery, building etc starts getting higher earnings(surplus over their normal income). This phenomena is known as quasi rent.