



THEORIES OF RENT

[Summary]

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

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&

Title : Theories of Rent

SUMMARY

RICARDIAN THEORY OF RENT

According to the Ricardian theory of rent, rent is available to land due to its fertility. All pieces of land have different levels of fertility. As a result, more fertile land gets more rent and least fertile land gets no rent or zero rent. So, we can say that Ricardo has considered rent as a peculiarity of land and rent is not available to the other factors of production.

MODERN THEORY OF RENT

From the above discussion, we can sum up that rent arises to all the factors of production; it is not the peculiarity of land. If the supply of a factor is perfectly elastic, it does not get any rent; if the supply of a factor is perfectly inelastic, then its entire remuneration is rent; and if its supply is less than perfectly elastic, then some portion of its income is transferred to earning, and the remaining due to its scarcity is considered as rent.

QUASI RENT

Lets sum up the concept in short,

The concept of quasi rent is quite useful in understanding short term gain of the factors of production in the economy. As in the short run if the demand for any factor increases it is not accompanied by the increase in the supply of the factor and as a result its scarcity is created in the short run. This scarcity results in the availability of additional remuneration in short run which is considered as a quasi rent.

In the long run it is possible to increase the supply of the factor of production in accordance with increased demand and hence the additional benefit which was available to the factor of the production ultimately becomes zero due to perfectly elastic supply in the long run. This clarifies the concept of quasi rent.