

Ricardian & Modern Theories Of Rent

Modern Theory and Ricardian Theory of Rent!

Ricardian theory of rent paved the way for modern economists to express their ideas on the similar issue.

Modern economists like Mrs. Joan Robinson, Marshall tried to make it more practicable and to answer the questions which Ricardo failed to give.

Therefore, it is observed the modern theory is a modification and improvement over the Ricardian theory. The following points support the idea.

A. Amplification:

Ricardo opined that the supply of land can neither be increased nor decreased. Therefore, its transfer earning is zero and whole of its earnings is called the rent. Ricardo believed that only land earns rent. But on the other hand, modern economists amplified the theory and stated that all the factors of production enjoy rent. Of course, all the factors of production are specialized in nature to some extent. It means part of income earned by the factors of production is rent. In the words of Mrs. Robinson, “Particular

units of factors of production which belong to those broad categories of labour, entrepreneurship and capital also earn rent.”

B. Modifications:

Modern economists have made several modifications in the Ricardian Theory of rent as:

Measurement of Rent:

According to Ricardo rent can be measured by the difference between intra marginal and marginal land. He believed that the surplus earned by the intra marginal land over the marginal land is called the rent. The modern economists rejected this dubious assumption of marginal land and maintained that rent is the surplus of actual earnings over the transfer earnings.