

## **Modern Definitions of Rent:**

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“Rent is a payment in excess of transfer earning.” Stonier and Hague

“The essence of the conception of rent is the conception of a surplus earned by a particular part of a factor of production over and above the minimum sum necessary to induce it to do its work”. Mrs. Joan Robinson

### **Features of Modern Theory of Rent:**

**The major features of the modern theory of rent are as under:**

1. Rent can be a part of the income of all factors of production.
2. Amount of rent depends upon the difference between actual earning and transfer earning.
3. Rent arises when supply of the factor is either perfectly inelastic or less elastic.

### **Why Rent Arises:**

According to modern theory, rent arises due to scarcity of land. Supply of other factors like labour, capital etc. can also be scarce in relation to demand. Therefore, income earned by these factors in excess of their minimum income is called economic rent.

Prof. Wieser divided factors of production into two parts viz.; specific factors and nonspecific factors.

***Specific Factors:***

These factors refer to those factors which have only one use. For example, a farm used for growing wheat alone. Such factors have no mobility.

***Non-Specific Factors:***

These factors are those which have mobility and can be put to different uses. It is only due to the reason that specific factors cannot be put to another use. Specificity of factors is the main cause of the emergence of rent. It is so because specific factors cannot be put to any other use. So, its opportunity cost is zero. In other words, its transfer earning is zero. So its entire actual earning in the existing use is rent.