

## Ricardian & Modern Theories Of Rent

### **Emergence of Rent:**

Ricardo observed that rent arises due to the difference in the fertility of land. But the modern economists provided a scientific explanation to rent. Accordingly, rent arises due to the specificity of factors.

### **Rent and Price:**

According to Ricardo, rent does not enter into price. But the modern economists opposed this idea and opined that rent determines price and affects it. Thus, from the above analysis, we can sum up that Ricardian theory was no doubt a basic and remarkable attempt to explain the origin of rent. It suffers from various shortcomings which have been removed by modern economists. Therefore, modern theory can surely be regarded as an improvement over the Ricardian Theory.

### **Relationship between Rent and Price:**

There is widespread controversy among the economists regarding the relationship between rent and price. But, there are two viewpoints in this regard viz; Ricardo's views and modern views.

### **Ricardo's Views:**

Ricardo expresses his view that rent does not enter into price because rent is not price determining but it is price

determined. Therefore, first of all price of marginal land is determined and after that rent on intra marginal land is found. Thus, rent does not affect the price.

According to Ricardo, “Corn is not high because rent is high, but rent is high because corn is high,” This statement of Ricardo shows that rent does not affect price but it is being affected by price.