

RENT

To : Special Topics in Constitutional Law Class

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Regarding : Exclusive

1. Classical Economics

(1) Meaning

In classical economics "rent" was defined as the rental value of land. In other words it meant "value for the service that land, the factor of production, provides in the process of production."

(2) Cause of Rent

Why is it that we can enjoy rent, the factor income? It is because fertile land is rare and in one state land is limited, in other words, land is fixed in a definite level.

(3) Change of the Meaning

Neoclassical economist like Marshall insisted that rent should include not only land but also **income** reverted to the fixed factors.

2. Modern Rent : Economic Rent

(1) Meaning

In modern times economists insist that income is reverted to long-term fixed factors as well as land must be regarded as rent. There are two kinds of fixed factors. One is fixed by its nature and the other is fixed by law or institutional measures.

In other words economic rent is income, which is reverted to the factor, and exceeds minimum expenditures enabling the supply of the factor through the rarity of production factor.

(2) Cause of Rent

Economic rent can exist because in reality entry to some industries is limited by law and institutional measures.

(3) Rent Seeking Behaviors

Sometimes the law and institutional measures limiting the entry to some industries do harm to the society. But Delimitation cannot be abolished easily, because of the lobbying activities of government officials and benefit groups.

We call those activities "rent seeking behaviors". They are the waste of social resources because those activities don't increase the product and they contribute to the benefit of some groups. To prevent it government should strengthen the open and competitive conditions in the market.