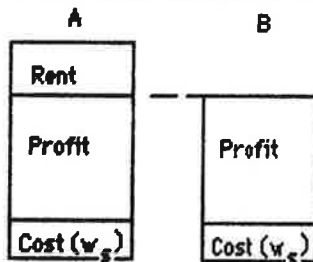# _Ricardo's Theory of Rent_

Assume:

> Four plots of land of varying quality: A (highest quality) to D (lowest quality).
> An equal amount of labor and equipment is employed on each plot.

Initially, the population can be fed by using the highest quality land. The capitalist/farmer hires as much labor as he can (given his capital fund) and produces corn. He generates an excess of revenue over cost -- his profit.
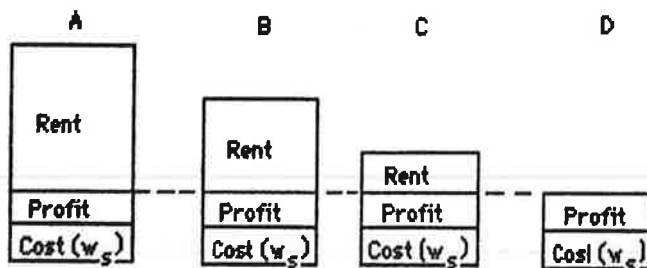
A

Profit
Cost (w_s)

As population increases, farmers are forced to move to less productive land.

A　　　　　**B**

Rent	
Profit	**Profit**
Cost (w_s)	**Cost (w_s)**

KEY: Competition among farmers will equalize profits and generate rent. Farmers compete by offering landlords rent on the more productive land.

As population increases, production moves to successively lower grades of land:

A　　　　**B**　　　　**C**　　　　**D**

Rent	Rent	Rent	
Profit	**Profit**	**Profit**	**Profit**
Cost (w_s)	**Cost (w_s)**	**Cost (w_s)**	**Cost (w_s)**

NOTES: Land that didn't earn rent begins to get rent and land that had rent earns even higher rent.
Profits are getting squeezed and rent is gaining an ever greater share (both absolute and relative) of total output.

rent¹ (rĕnt) *n.* **1.** Payment, usually of an amount fixed by contract, made by a tenant at specified intervals in return for the right to occupy or use the property of another. **2.** *Econ.* **a.** The return derived from cultivated or improved land after deduction of all production costs. **b.** The revenue yielded by a piece of land in excess of that yielded by the poorest or least favorably located land, under equal market conditions. —*v.* **rent·ed, rent·ing, rents.** —*tr.* **1.** To obtain occupancy or use of (another's property) in return for regular payments. **2.** To grant temporary occupancy or use of (one's own property) in return for regular payments. —*intr.* To be for rent: *The cottage rents for $200 a month.* —**idiom. for rent.** Available for use or service in return for payment. [ME < OFr. *rente* < VLat. **rendita,* fem. p.part. of **rendere.* —see RENDER.] —**rent·a·bil·i·ty** *n.* —**rent′a·ble** *adj.*

rent² (rĕnt) *v.* A past tense and past participle of **rend.** —*n.* **1.** An opening made by rending; rip. **2.** A breach of relations between persons.