

Mona

Assistant Professor

Department Of Economics

Maharaja College, Ara

Veer Kunwar Singh University

B.A. Part-1

Paper-1 (Microeconomics)

Topic – Quasi Rent

Email address: monapryal2223@gmail.com

QUASI RENT

Quasi rent is the income of the fixed investment like machines and its price determined in the short-run.

i.e., a tennis player, a cricketer or a singer may have larger earning due to his exceptional talent which may be termed as quasi-rent, till equally proficient rivals appear.

Ques: Can Quasi-Rent fall below zero?

R. Opie, relying on Marshall's other definition of quasi-rent as the net return to a fixed equipment after making allowances for replacement and maintenance, opines that when the investment tends to go bad and is not properly maintained, quasi-rent is negative.

But, we have seen above that quasi-rent can never be negative for no producer can bear to forgo his prime costs of production under perfect competition. Quasi-rent is, in fact, not the surplus or deficiency on net investment, but the entire income from fixed investments and hence it will always be positive.

Distinction between Rent, Quasi rent and Interest:

Quasi-rent is often distinguished from rent, interest and profit. Quasi-rent resembles rent in more than two ways. Quasi-rent arises with the rise in the demand for the products of the land. Just as the supply of man-made appliances is fixed in the short period, so is that of land. Transfer earnings are as much important for determining quasi-rent as they are for determining rent. **Quasi-rent, like the rent of land is price-determined and not price-determining.**

“Quasi-rent is a payment for man-made appliances during the short period when their supply is temporarily fixed. Rent is a payment for natural gifts like land whose supply is fixed both in the short and long run.” Quasi-rent is a temporary phenomenon which disappears in the long-run, when the supply of man-made goods is increased. Rent persists in both the periods because the supply of land cannot be changed.

Quasi-rent as income, arises in the short-run, while interest arises both in the short and long run. The supply of fixed capital cannot be increased except in the long-run but the supply of free or floating capital can be increased in the short and the long-run. **Quasi-rent is price-determined, while interest is price-determining.**

Quasi-rent is an unnecessary payment during the short-run because fixed capital already exists in the firm. It does not necessitate any extra cost. Therefore, quasi-rent is not a part of the cost of production. In the long -run quasi-rent merges into normal profits which are a necessary payment and enter into the cost of production.

In reality, the distinction between rent, quasi-rent, and interest is one of degree only.

A factor which is permanently fixed irrespective of the time period, earns rent; that which is permanently fixed for a short period earns, quasi-rent; and that which is not fixed at all in any period, earns interest.

“Each group shades into the other gradually,” as pointed out by Marshall, “and thus, even the rent of land is seen, not a thing by itself by itself but as the leading species of large genus.”