Rent and Profit

Topic: Important issues in IO theory and practice
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The aim of this paper is to consider I-O system with land and fixed capital. When land and natural resources are taken into account, the distributive variables become three; the wage, the rate of profit, and rent. In models with land, extensive and intensive use of land will be considered. But in this paper, we assume land of uniform quality. We will consider that the I-O table is given exogenously. In addition, the uniform wage rate and the uniform rate of profit are privailing in an economy. Under these assumption, we will derive a virtual relation between rent and the rate of profit by incorporating the Sraffian price system into I-O table. The Sraffian standard system enables us to eliminate the wage rate from our consideration and to obtain a very simple relation between rent and the rate of profit. We will examine the properties of distribution and cost of production in a model with land. Our model with land of uniform quality yielding rent will be applied to the imported scarece natural resources.