

Ground Rent in the Circuit of Capital:

Time, space, and macroeconomic geography

Abstract

Despite claims that ground rent is “the primary conceptual vehicle” for incorporating geography into political economy (Christophers 2016, 136), ground rent and the macroeconomic logic of the capitalist space economy are out of fashion as theoretical concerns in contemporary geographic political economy (Ward and Aalbers 2016; Peck 2016; Sheppard 2011). Consequently, although ground rent played an obvious role triggering the socioeconomic crisis of the past decade, economic geography has contributed remarkably little to either our understanding of the macroeconomics of the crisis or policies to deal with its causes.

This paper introduces recent heterodox macroeconomic theory into geographic political economy and spatiality into formal heterodox macroeconomic theory. It does so by combining ground rent with the “second-generation” synthesis of Marxian, Keynesian, and institutionalist macroeconomic political economy (Goldstein and Hillard 2009; also see Godley and Lavoie 2012 and Keen 2011, 2013).

Most previous work on ground rent focuses on the mechanisms and institutions through which rent is extracted, but this paper takes ground rent as given and focuses on its macroeconomics. The paper first “clears the air” by discussing heterodox economics and geographical political economy, methodology, value, and ground rent. It then develops several exploratory, abductive simulation models, incrementally incorporating different heterodox economic elements and forms of ground rent. The models build on Marx’s circuit of capital but add post-Keynesian and institutionalist features, and they employ twenty-first century innovations, such as Foley’s (1982; 1986; 2013) dynamic disequilibrium models of the circuit and recent reinterpretations Marxian value theory (Freeman 2010). The goal is to develop a better understanding of the macroeconomics of ground rent that can inform research and policy in both heterodox economics and geographical political economy.