A few days ago, I put the following question to Nic Tideman:

“Is the rise and fall of the potential rental value of locations independent of or determined by the quantity of money in circulation?”

Here is Nic’s response:

“It’s complicated. Part 1 is the general relationship between money and prices. Other things being equal, in the long run, in equilibrium, the quantity theory of money works. The price level is proportional to the quantity of money, and that applies to the rental value of locations. In the short run, a faster growth of the money supply than was anticipated generally causes an increase in economic activity as prices do not rise as rapidly as the money supply increases. The rental value of land is affected like other prices. Similarly, a fall in the rate of growth of the money supply below what is expected generally causes a reduction in economic activity and, eventually, a reduction in price increases compared to what was expected. Again, rental values are affected like other prices.

Part 2 is more esoteric general equilibrium effects. Economists have noted that money is a factor of production. A society with an unpredictable future price level because of a rotten monetary system will be less productive overall, and this will lower rental values. A society with an unpredictable future price level may lead people to believe that the way to protect the value of their assets is to buy land that they do not plan to use. This allocation of land to non-use will have two countervailing effects on rental values. First, it will make the society less productive, reducing rental values, and second, it will make land artificially scarce, increasing rental values. Thus, in these relatively subtle ways, on can anticipate effects on rental values from the monetary system.

In summary, rental values are not made in heaven. They represent what people are willing to pay, based on economic opportunities. In a variety of ways, the monetary system affects what people are prepared to pay, and thus rental values are not independent of the monetary system.

This is just standard economics.