

## Land Value as a Fluid



Behind [AFFEERCE](#) lies an understanding of the nature of land. This not only includes the ethical principles of land ownership, but the exact role land plays in an economy and how land value is created and destroyed. This module is concerned primarily with land value creation and modeling. It is abstract and not essential to the understanding of the [business plan](#).

Because much of the analysis is still hypothetical, most of it can be found in this [addendum](#), which can be read by those interested in the topic.

The notion of land value as a fluid is as old as Version 2.0 of AFFEERCE. However, in previous versions, construction displaced land value from the Earth, pushing the land value away from the building site. Empirical data and logical consistency checks showed this to be false.

The new view of land value presented here and in the addendum is far more rigorous, is logically consistent, and matches empirical data. It even has its own theorem, the Fluid Theorem, introduced in the addendum and summarized below. The Fluid Theorem is both shocking and proven. The role of land value in an economy is demonstrated in surprising ways.

While no model perfectly reflects reality, the fluid model of land value closely describes land as a foundation of economics and provides a graphical way of visualizing changes in land value.

In a fluid model, the fluid itself is not as important as the container. Primarily, the world consists of basins, gullies, and pipes. There are sources, but, strangely enough, few sinks, although they are possible. Primarily, land value is lost through evaporation, which models consumption, depreciation, depletion, and breakage.

The model makes some startling and unproven predictions. These are summarized as:

1. Circulating currency is a stable function of current land value.
2. Land value is greater than or equal to the value of real estate (excluding land value from real estate).
3. 100% of new construction cost goes to land value somewhere in the world.
4. As such, construction creates the same or more land value than its cost (this is the Henry George Theorem, but on steroids, as it applies to all construction, not just public goods).
5. Basins represent the quality of infrastructure with their depth. Individual homes and businesses are represented by hills and holes on the basin floor.
6. Land value is modeled as a fluid under the influence of gravity. It flows to the lowest point of the basin and fills the basin as any fluid would.
7. Because currency is easily treated as a fluid, and is a stable function of land value, and land value is treated as a fluid, the fluids can be interchanged in the model.
8. Excluding land value and currency from wealth (called economic wealth), it is argued that land value + currency = wealth.
9. The Fluid Theorem shows that the flow of all money ends in the payment of rent.
10. The model can be used to demonstrate the flow of land value in and out of a community, graphically.

The [addendum](#) is a starting point for further research.