APPENDIX 10

ELIMINATING THE PURCHASING POWER GAP THROUGH TWO-FACTOR THEORY AND THE SECOND INCOME PLAN

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At the personal level, virtually every economic problem can be stated in terms of lack of purchasing power, superficially solvable by income additions of smaller or greater size. Thus, to those who view the economy of the United States as "affluent," poverty is merely the result of failure to "maintain" adequate income for the poor.

A variety of plans to repair this apparent "cause" of poverty have been proposed and tried over the years: poor relief laws, welfare payments by local and state governments, with and without Federal assistance, direct distribution of food and other commodities, food stamps, rent subsidies, education subsidies, governmentally subsidized jobs of various kinds, minimum wage laws, laws limiting the work week, laws regulating overtime payments, laws permitting labor to avoid the competitive determination of the value of labor, laws fixing minimum wages and maximum hours for work on government contracts, laws subsidizing agricultural production, shipping, ship-building, mining and various kinds of manufacturing; aid to the blind, aid to the aged, aid to the medically indigent, aid to families with dependent children, etc. etc.

With all the ingenious methods for redistributing income to those who would otherwise have less of it, or none at all, the prosperity of the American economy for nine-tenths of its inhabitants is limited, or illusory. The United States is more prosperous than other economies *with which it is not comparable.* It clearly cannot meet the test of functional prosperity, for it is constantly characterized on one hands by the physical capability of expanding its production of humanly useful goods and services many times over, and on the other by the very real poverty of the overwhelming majority of the population who live in varying states of physical deprivation. Our principal industries—the ones that produce the great bulk of consumer goods and services and the capital goods required therefor, can easily increase their output 20% to 30% per year for a sustained period of time, until we achieve general (as distinguished from our present pinnacle) affluence, i.e., until those at the bottom and in the middle enjoy the standard of living of those at the top income level of the economy. But the economy, the Gross National Product, actually expands less than 3% per year. Qualitatively, even this "growth" is illusory, being often achieved through excessive production of military overkill goods that do not, to say the least, eradicate personal poverty.

Because an accelerated rate of increase in the output of consumer-useful goods and services is crucial to the elimination of poverty, further comment on the possibility of such an increased rate of output in the principal industries in the United States economy, in response to adequate consumer demand, is here relevant. In 1964, R. Buckminster Fuller said: "We are using our machines at only about four percent of efficiency, counting waste, misuse, off time and down time. All we would have to do to bring the entire world up to a wealthy standard of existence is to get that efficiency up to about 12 percent—which is well below the 15 percent efficiency possible even with the reciprocating engine." [1]

Mr. Fuller was thinking in the physical terms natural to the engineer and physical scientist without concerning himself with income distribution, production motivation, or organization of the economy. Nevertheless, goods and services are physical things; their production and distribution are physical processes and they ultimately minister to physical human need. So it is of great and basic significance that it is *physically* possible to multiply many times over the production of physical goods and services to meet human need.

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[1] "The Large-Sized Thoughts of Buckminster Fuller," by George Clark, "Think," September–October 1964, p. 9.

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