top executives in a wide spectrum of companies and industries leave us with no doubt about the answer.

Why is it that basic industry and agriculture which could grow by leaps and bounds, year after year barely creep ahead? Here is the old familiar hang-up: the people with the unsatisfied needs and wants do not have sufficient purchasing power to buy the goods and services that would satisfy those needs and wants. And the people with excess purchasing power—the top five percent or so—have no unsatisfied needs and wants.

Into this "war on poverty" it is now proposed that we introduce some new super-weapons: the "guaranteed annual income," paid through a "negative income tax" (i.e., a positive income dole), and a relatively new import from other even more poverty stricken parts of the world, the family allowance, or a dole geared to, and thus encouraging increases in, the number of children in the family. A third new super-weapon that many leading citizens and politicians, and, if we are to believe a recent public opinion poll, even a majority of the citizenry may favor, is simply a more massive dose of an expedient that has been tried and uniformly found wanting many times in the past: governmentally subsidized and "created" jobs. "Government as the employer of last resort" is the new name given to this old and discredited device that in practice often means that "*War* is the employer of last resort."

We shall not, in this writing, undertake to argue the negative case against doles and synthesized jobs. That has been argued often and well elsewhere by others and by ourselves. We are convinced that those who would seek solutions to our major political and economic problem—the problem of matching unsatisfied needs and wants with legitimately acquired purchasing power—through programs of doles and "created jobs" do so out of a combination of social concern and desperation borne of belief that no better alternative exist.

But a better alternative does exist, and this is the subject of our paper. In advancing this alternative, we do not wish to be understood as frowning upon the use, where necessary, of redistributive expedients during the interval (not more than a brief span of years—we believe) in order to expedite the transition to a sound and self-sustaining economy and to ameliorate personal hardships. On the other hand, as we will emphasize later, the vigorous employment of the Second Income Plan will quickly initiate a period of two or three decades of legitimate and intense full employment, so that the need for such expedients will be tempered.

We make the following assumptions upon which there is, we believe, sufficient general agreement to warrant omission of the proof of their validity, although we believe each of them eminently supportable.

(1) The economy of the United States is *physically capable* of providing *general affluence* (defined hereinafter) for the citizens and residents of this country. We have (or through commercial channels have access to) adequate resources, productive knowhow, and trained or trainable manpower to produce the quantities and varieties of humanly useful goods and services to provide an affluent standard of living for all. Every significant firm and every industry is *physically* capable within a few years of expanding its production to meet any currently imaginable level of output that might be required to provide every family and individual in the economy with a genuinely affluent level of goods and services, provided only that the consumers have the purchasing power to purchase those goods and services. The present economy is clearly not producing at a level even distantly approaching general affluence, but its productive capacity could be expanded by an increment—which we will call the Second Economy—capable of that high-level production. Nothing would please all those whose contributions are necessary to such ligh-level output—the labor force, management, the owners of resources, the scientists, technicians and engineers—than to have the opportunity, through the possession of adequate purchasing power on the part of those with unsatisfied needs and wants, to expand their economic output to a level equivalent to general affluence.

(2) A market economy automatically generates an amount of purchasing power equivalent to the market value of the goods and services it produces in any given time span. "For every dollar spent in production, someone gets a buck." This is irrefutably true as long as our business and fiscal systems are constructed in accordance with the logic of double-entry bookkeeping. It may be illustrated thus: