DOUBLE-ENTRY BOOKKEEPINGS THE BASIC LAW OF TWO-FACTOR ECONOMIC THEORY

Net National Payments (Net National Product) for a given time period, computed by aggregating costs of production of all goods and services produced with a market economy, and deducting depreciation and amortization of capital instruments.	EQUALS =	Aggregate Income automatically arising out of the process of production and available to the individuals who participate in production except to the extent their arbitrary institutional arrangements, private and governmental, intercept or divert such income.

(3) But there is a vast difference between a market economy's generating sufficient purchasing power *in the aggregate* to enable the recipients to purchase all goods and services thus produced for the market, and its generating sufficient purchasing power *in the hands of those with unsatisfied consumer needs and desires who will use the purchasing power to satisfy those consumer needs and desires.* Outtake from the economy in the form of purchasing power, in a private property economy which we morally want and try to pretend that we have, must be based upon productive input, with the value of the productive input being measured by market forces under workably free competition. *Only a market economy in which the consumer needs and desires of all are matched with adequate productive capacity can be a generally affluent economy.*

(4) The historically conspicuous shortcoming of all market economies, criticized and lamented in one form or another by political scientists, theologians, economists, politicians, labor leaders, revolutionaries, educators, and the populace generally for a century and a half, is that they are never *institutionally designed* to consume and enjoy what they desire to produce and can produce. In an economy as technologically advanced and rich in resources as the United States, an economy unquestionably having the capacity and potential capacity to produce general affluence, only a small minority—at most the top ten percent—have the capacity to consume and enjoy an affluent level of goods and services. Clearly, therefore, the problem of poverty, at least for the United States and for most of the resource-rich economies of the world who can buy technological knowhow if they do not possess it, lies neither in their physical inability to produce general affluence nor in their lack of zeal to do so, but in the institutional arrangements which fail to match, family by family, consumer by consumer, the need and desire to consume with the economic power to produce at the desired economic level. Specifically, if it requires an income of $15,000 a year for a family of four to live even a slightly affluent life, some members of that family must have the power and capacity—evaluated by competitive market forces—to *produce* $15,000 worth of goods and services or to make a productive contribution to the economy of that value.

It is the thesis of this paper that our inability to find the answer to this dilemma up to this point in history is primarily and indeed almost entirely due to a deficiency in our theory of how wealth is produced; that all of the significant schools of economic thought down to date suffer from the same theoretical deficiency, and that by substituting sound theory for false, a not impossible step, we can readily make the relatively minor changes in our business and governmental institutional arrangements to enable us each to produce and enjoy an affluent level of income and the economically comfortable lives that this would make possible. The world so far has had its economies structured on the idea, explicit in the case of the Socialist and Communist countries and implicit in all other economies, that only one factor—labor—is the producer of wealth or economic value. While our business institutions and our governmental institutions that have to do with economic structure are built or designed in accordance with one-factor concepts, the real productive world does in fact employ two productive agents. We live in a two-factor world, but we operate our economies on one-factor thinking.

Let us define affluence as the standard of living enjoyed by the top 10% of income recipients. To produce that level of affluence for all families would require that our existing productive facilities be expanded many times over. To the extent that resources, manpower, and know how are available (whether from within or from without) to build a Second Economy within a reasonable time—say ten to twenty