

years—general affluence, i.e., affluence for all households in the United States, is a proper economic goal.

A definitive positioning of two-factor economic theory in the world of economic thought would be beyond the limits of this paper. The orientation that follows is necessarily brief.

The Classical (i.e., nonsocialist) economists asserted and still assert, that if the government will keep its hands off interest rates and wage policies, the “unseen hand” of the free market will automatically put the economy in equilibrium at full employment and prosperity. The Classicists are one-factor thinkers.

The Socialist (i.e., the Marxist) economists contend that the Classicists are wrong: that full employment and its resultant prosperity are achievable only if private property in capital is eliminated and state ownership “for the benefit of the whole society” is substituted. The Marxists are explicit and vehement one-factor theorists.

The Keynesians disagree with both schools of thought; they insist that full employment can best be achieved by increasing, to whatever extent may be necessary, aggregate consumer demand through deficit financing, measures designed to raise wages above their free market level, and virtually any kind of government-sponsored redistributive measures for adding purchasing power to the workers and the unemployed.

Two-Factor Theory, or the theory of a private property economy, or the theory of general affluence (each of these is a proper name for it), denies both the validity and the adequacy of the goal to which all three of these principal schools are committed: the goal of prosperity solely through full employment. It holds that full employment as such is a false—indeed a perilous—goal for an advanced industrial economy, and that even if “full toil for all forever” could be achieved outside a totalitarian state, it would prove itself *inadequate* as a means for achieving general affluence.

Full employment ideology draws its ethical support from the so-called Puritan ethic. Its tacit assumption is that one ought to contribute to production as a prerequisite for receiving a distributive share. The premise is sound. However, full employment thinking then makes an untenable leap. It erroneously assumes that the only way for human beings to contribute to production is through their labor. It overlooks the nonhuman factor of production, capital. It fails to recognize that capital produces wealth in precisely the same sense as labor: that capital is producing a major portion of our total goods and services now and that capital, as technology continues to progress, will produce an ever-greater proportion in the future.

Two-factor theory repudiates the economic objective of maximum output of goods and services with maximum employment. Its goal is optimum output of goods and services with minimum toil, *but with universal participation in production*. One may participate either through one's personal toil, one's personal ownership of an equity in productive capital, or through both, as the state of technology and the desired general living standard may require.

*Summary of Two-Factor Theory.*—At this juncture, a definition may be in order. The political institution of universal suffrage has never in history had an economic counterpart. Consequently, the ideals of political democracy have never been grounded upon a firm economic base. Defective economic institutions actively subvert and undermine the ideals of political democracy and constitutional government. Our own time has provided us with several horrifying demonstrations of what can happen to freedom in an economic environment hostile to it. Our Western political heritage has no chance of survival in a nation, or in a world, where capital is the chief source of the affluence everyone seeks, but where the majority owns no productive property.

The basic elements of the two-factor theory may be summarized under the general engineering concepts of input and outtake. On the input side of the equation is production.

Wealth is produced by two agents or factors. One is the human. It includes labor in all of its forms—intellectual and managerial as well as manual. The other is nonhuman. It includes productive capital in all of its forms—land, structures and machines. Each factor produces wealth in exactly the same physical, economic, political and moral sense. That assertion is the reverse of the prevailing view that the function of capital is somehow mysteriously to raise of labor to the same.

Distribution of the wealth produced by an economy corresponds to outtake. Logically, there are only two patterns of distribution possible: