

One is input oriented.—It allocates the outtake or personal income from each productive process on the basis of productive input. This is the principle of private property. It is the distributive principle of a private property or universal capitalist economy structured upon two-factor theory. It is dictated by the logic of double-entry bookkeeping.

The other is noninput oriented.—It is based not upon productive input, but upon the need of the recipient, as determined by central authority. This is the principle of *economic communism*.

It may be of incidental interest, since many people toy with the idea of socialism, to note that the distributive principle of socialism is also an input-oriented principle. The difference between socialism and two-factor theory or universal capitalism in this respect lies only in the interpretation of the facts. Universal capitalism holds that there are two factors of production: the human and the nonhuman. Socialism maintains, as a matter of dogma, that there is only one: the human, i.e., labor. The absurdity of the socialist position, while perhaps not so easily discernible in the primitive industrial economy, becomes increasingly obvious as technology shifts progressively more of the burden of production onto capital instruments.

A FUNCTIONAL DEFINITION OF PRIVATE PROPERTY

Private property, as applied to the factors of production, means that the owner of each factor is entitled to all the wealth or net income that the thing owned produces. If the concept is to have objective validity, of course, the value of productive input by either factor must be determined in reasonably free and competitive markets.

Thus, under private property, the worker is entitled to the value of wealth his labor produces, and the owner of capital is entitled to the value of wealth his capital produces (value in each case being determined under conditions of workably competitive markets). *Private property, we may therefore conclude, functions in economic affairs precisely like circuitry in electronics: directly to connect productive input and distribute outtake.*

In a free market economy structured upon the logic and morality of double-entry bookkeeping, for any given time span, the market value of the goods and services produced is equal to the purchasing power created out of the process of production. This means that aggregate purchasing power is always adequate in quantity to remove all goods and services from the market. But this fact does not mean that the purchasing power, potentially sufficient in the aggregate, will be used for this purpose.

Those with consumer needs and desires in excess of their purchasing power can clearly not satisfy them.

Those with purchasing power in excess of their consumer needs have no choice but to invest the excess in capital goods and thus further increase their *excess* purchasing power.

There are but two ways to correct this imbalance, which in popular parlance we know as poverty, on the one hand, and concentration of wealth, on the other:

Alternative I

Redistribution of purchasing power from those who produce more, or have more than enough, to those who have less than enough. This is done in accordance with "need" as determined by central authority. Redistribution is the principal means employed in the United States economy, and the principal cause of its social strife. It is, by definition, destructive of private property. It is the corrective method of economic communism. Distribution on the basis of need is the principle employed in all anti-poverty programs based on doles or governmentally "created" jobs.

Alternative II

Institutional changes which facilitate the building of the productive power of those households and individuals which are insufficiently productive, in order to enable them to produce enough income to satisfy their reasonable needs and desires. This method has yet to be employed as national policy in any economy. It is a method designed to protect existing private property, highly concentrated though it may be, and to build a Second Economy owned in reasonable-sized holdings by the great majority of households, who own no productive capital in the existing economy. *This is the corrective method of the Second Income Plan.*