

nonhuman factor of production is increased at an accelerating rate, and increasing quantities of it are used.

Technological change is also a process which leaves the general productiveness of the human factor untouched. Obsolescence of skills equal or exceeds the development of new skills. Furthermore, increases in unemployment lower the competitive value of the labor of those still employed.

The effect of these tendencies is to increase the productivity of capital. Labor remains at best a constant factor; more often, it is a decreasingly productive factor. As far as his productive capacity is concerned, man himself at best remains about where history first found him.

For the past 100 years or more, output per manhour has been increasing about 2½% per year. If we understand that this yearly increase is the result of better and more numerous capital instruments, it is clear that today the great bulk of wealth is produced—as our eyes tell us it is—by capital: the figure is 90% or more.

Consequently, in a private property economy, the principal means for enabling households of low or no economic productiveness to become more productive is to enable them to buy, pay for, and employ capital ownership in their lives.

A financing footnote

In enterprises with average or better-than-average management, new capital formation does not take place unless the newly formed capital will (with extremely rare exceptions) throw off not only its cost of formation, but dozens, hundreds, and sometimes even thousands of times its formation cost. Normally, in the well-managed businesses of the United States, the pre-corporate income tax return on net worth is in the vicinity of 22%, thus enabling newly formed capital—in spite of myriads of institutional arrangements that divert, within the corporation, the wealth produced by the owners of capital to the non-owners of capital—to pay for itself within five years or less.

Consumer goods, such as personal automobiles and family residences, produce no marketable wealth. Therefore, they do not in themselves enable the owner to pay for their costs of acquisition.

Yet the financing of consumer goods has become so sophisticated (not to mention asinine) as to enable the consumer to spend his income up to forty years into the future in order to purchase today articles which throw off no marketable wealth. As a result, he often pays for two or more houses to buy one; he pays for one and one-quarter automobiles to buy one, etc.

But the world of finance offers no significantly effective techniques to enable a household that owns no capital, or owns insufficient capital, to buy newly formed capital and to pay for it out of the wealth it produces, and thereafter to employ such capital as a factor of production and a means of producing income.

That which is inherently nonfinanceable is financed.

That which is inherently financeable is not financed. And the illogic of poverty amidst eagerness and ability to produce plenty goes on.

THE SECOND INCOME PLAN AND ITS ECONOMIC GOAL: THE BUILDING OF A SECOND ECONOMY

The practical world requires in addition to second theory a practical and effective means of translating theory into action. The Second Income Plan is an action program for bringing about general affluence in the U.S. economy.

An economy capable of producing affluence on the required scale would have to be perhaps ten times more productive than the one we have now. It is the goal of the Second Income Plan to create that "Second Economy"—

An economy in which the newly formed capital will be owned primarily by those 95% of families who own no capital of income significance in the present economy.

An economy to be built by means that increase the integrity of present private property ownership in the existing economy.

An economy which will have logic and symmetry because it will systematically build the economic power of all households to consume wealth through two sources of income at the same time it builds additional industrial power to produce wealth. Only when all families have viable capital holdings and also an opportunity to engage in production through employment (to the extent that the state of technology and the rate of growth require employment) can "aggregate demand" be capable of supporting general affluence.