The suggested tools of the Second Income Plan fall roughly into four categories:

Those relating to the pattern of testamentary and inter vivos gifts as they are affected by Federal and state tax policy;

Those relating to the conduct of the corporation;

Those relating to financing capital ownership for corporate employees;

Those relating to financing capital ownership for persons not employed by the private corporate sector.

GENERAL CHANGES PROPOSED IN FEDERAL AND STATE TAX POLICY

Tax policy changes affecting estate and gift tax laws should aim in general to encourage gifts which broaden private ownership of capital; they should discourage locking up ownership of the most productive factor of production, capital, in tax-exempt general purpose foundations. Capital is socialized as effectively in tax-exempt foundations as if the government had confiscated it. In either case, its ownership is not connected by private property rights to individuals in reasonable-sized holdings.

PROPOSED REFORMS RELATIVE TO THE CONDUCT OF THE CORPORATION

(1) The gradual step-by-step elimination of the corporate income tax. Methods for financing capital ownership for individuals *out of the income produced by capital* are among the most important tools for implementing the Second Income Plan. Those vital tools are blunted by taxes which divert more than half the income produced by capital to the government. The state and Federal corporate income taxes, with the proposed new surtax, are a direct 60% destruction of the capital owner's private property in capital. The rich man, because the wealth-concentrating mechanisms of the existing economy work more effectively for him than the redistributive efforts of government and labor unions work against him, can temporarily withstand this invasion; *the man without capital cannot.*

(2) Gradually forcing each mature corporation to pay out all of its net earnings, after depreciation and operating reserves only, to its shareholders. These steps should be keyed to appropriate reductions in the personal income tax rates to make them nonconfiscatory. This measure is one of the principal means of restoring private property to capital ownership. It is designed to put the burden of taxation on the ultimate taxpayer—the individual—where it belongs. *It is no more justifiable to withhold the wages of capital than it is to withhold the wages of labor.* If capital indeed produces most of the wealth, and we wish to give symmetry to our economic system by enabling the masses to receive second incomes through dividends, the private property of both the existing stockholders and the new stockholders must be effective.

(3) Providing the corporation with new sources of financing growth to take the place of the internally generated funds presently used. In the case of non-employees, the source would be the financed capitalist plan; for employees, it would be Second Income Trusts. Both are financing sources that are unlimited by anything except the market for the goods and services to be produced by the expanded economy. That market will expand as the "second incomes" of the population expand.

More importantly, however, from the standpoint of the corporation, the Second Income Plan would complete (i.e., correct) presently invalid corporate strategy. Corporations employ meticulously logical methods to build their industrial power to produce goods and services. But they neglect to comensurately raise the economic power of consumers with unsatisfied needs and wants to buy the increased output. This function they leave to chance, to government redistribution, and to that most illogical and defective of all doctrines—the doctrine of exclusive dependence on full employment, the keystone of all one-factor economic theory.

Each year our corporations and other business enterprises put into place in excess of sixty billions of dollars worth of new capital formation. But to the purchasing power of consumers with unfilled needs, they add only limited purchasing power incidental to the minimum employment required by automated production methods and the minor fraction of corporate net income that reaches the small number of consumers who enjoy capital income. Even when increased by organized labor's bargaining leverage and by wage-elevating legislation of various kinds, the purchasing power which employment adds to the economy is but a fraction of the aggregate purchasing power arising from *both*