that capital, and thereafter to own it and employ it in their lives to provide them with second incomes.

Our suggested method for financing capital ownership for those who are not corporate employees involves creating a commercial counterpart of the F.H.A. insurance agency. We could call it the Capital Diffusion Insurance Corporation (C.D.I.C.). It could be a self-liquidating government insurance agency, like the F.H.A. Or it could be one or more private insurance syndicates.

The function of the proposed corporation (or corporations) would be to insure lenders that make financed capitalist loans (for the dual purpose of creating new capitalists and financing new capital formation) against failure of the financed portfolios to pay off their costs of acquisition within a prescribed financing period.

It should be noted that the CDIC-financed capitalist program is intended ultimately to take the place of internal financing, but it is not intended to displace other conventional finance. It is strictly complementary and supplementary. Indeed, it would be expected that much of the lendable funds of the economy would be used in the financed capitalist and SIP Trust financing programs.

As the economic growth rate accelerates to a level where the loan funds of the economy (including the loan funds of savings and loan associations which might be made available for the purpose) are inadequate to meet requirements of CDIC, SIP Trust, and conventional financing activities, then SIP Trust loan paper and CDIC loan paper held by commercial banks, savings and loan banks and perhaps by certain other lending institutions, should be made discountable through the Federal Reserve Bank.

The reader's first reaction to this proposal may be that it would be inflationary. On mature consideration, he will be sure that it will not be inflationary.

A monetary system which in effect *monetizes new capital formation under controlled conditions where top executive and financial scrutiny is a prerequisite to the new capital formation coming into existence, would be the first logical and totally flexible monetary system in history.* It would monetize that factor of production which is primarily responsible for producing the goods and services that money is used to buy.

Such a system would solve the major monetary problems of the U.S. economy both internally and internationally. Its intermediate and long-term effect would be deflationary; for the value of net goods and services produced by newly formed capital, after payment of financing costs, vastly exceeds the cost of new capital formation. This deflation, however, would occur without hardship because in a universal capitalist economy, the increasing purchasing power of money would merely be a reflection of increasing ease of production. *It would be accompanied by increasing, rather than declining, opportunities to participate in production,* as is the case under present one-factor economic systems.

THE POLITICAL UTILITY OF AN ECONOMIC PROGRAM BASED UPON THE SECOND INCOME PLAN

The tools of the Second Income Plan are peculiarly useful at the Federal level because their implementation depends primarily upon control of the monetary and credit system, which is a matter of Federal concern.

The Second Income Plan itself can unleash the latent human power of every man in an advanced industrial society by offering the opportunity to acquire capital.

It is tailor-made for national economic planning; for anti-monopoly control; for growth acceleration through the simultaneous building of the economic power of the population to consume and its industrial ability to produce, and for the promotion of industrial peace.

At the same time, the Second Income Plan is calculated to maintain in individual citizens the growing economic power resulting from accelerated industrialization, and to diffuse it broadly throughout the nation. Eventually and ideally, this diffusion would be universal. Thus, it lends itself to control of the economy by the government—*but without the accretion of power by the government that can threaten individual liberties. The growing political power of the government is balanced by the growing private economic power of its citizens.*

The Second Income Plan can induce the soundest boom movement in history; one that can continue to grow until general affluence is achieved, and that can be maintained at the level of general affluence without dependence thereafter on purposeless expansion.