

C.O.R.E. ASKS  
WHY ARE SO MANY AMERICANS POOR? \*

An Inquiry by  
Congress of Racial Equality, Inc.  
and Affiliated and Cooperating Organizations

\* This pamphlet is adopted in part from a proposal made by Congress of Racial Equality, Inc. to the City of Cleveland and its business community on the fateful day of the assassination of Dr. Martin Luther King, Jr.

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## QUESTIONS NOBODY ASKS ABOUT AMERICAN POVERTY

In the war on poverty, why do we insist that the poor man must climb the economic ladder with only one leg?

Nothing could be clearer than that there are two things that produce wealth: labor, the human factor, and capital, the non-human factor.

It is equally clear that it is the other factor, the non-human factor, which causes a constant increase in output of useful goods and services, with a persistent decline in labor input.

But we talk only of more jobs, and higher pay for the same, or more often, less work.

We also talk of just plain hand-outs, which involve no leg on the ladder at all, since no productive input by the recipient is involved.

Why do we not ask whether the performance of work is the only way to produce wealth, and then, if the answer comes back -- as it will from all but the Marxists -- "No, capital also produces wealth -- in fact, it constantly produces more of it," then, why do we not ask:

"Is it possible to enable more and more families to become owners of capital?"

Most of us know that all the studies of wealth distribution to date show that all capital ownership is in the top 5% in the U.S.

We also know that the conventional methods of corporate and business finance in the Western world give the minute group of capital owners a privileged monopoly of becoming the owners of all newly formed capital -- now some \$60 to \$90 billion each year.

Why, when our greatest industries propose multi-million-dollar and even multi-billion-dollar capital financing programs, most of which will subtract more jobs than they add to the economy, do we not ask:

the ownership of capital which produces a major part (some even say most) of our wealth?

Is there anyone who would deny that the ownership of capital capable of providing one with an adequate income is not good for human dignity and human self-respect?

Why, when in our personal lives, every one of us seeks to minimize toil, do we in our demands for equality of economic opportunity fail to demand changes in corporate and business finance which will enable those born in families without capital ownership to buy, pay for, and enjoy a second income from capital ownership?

Clearly it is the machine that spares man from toil.

Technological change is nothing but a process by which man, through his brain, harnesses nature and makes her work for him through his capital instruments.

Isn't the direct route, then, to higher participation in producing wealth (and so getting a higher income) acquiring some capital ownership?

Ownership in some of the land, structures, and machines that constantly produce an increasing proportion of your wealth?

Why is it that our most distinguished and learned inquirers into economic goals never ask whether it would be possible in the allegedly capitalistic economy to enable every family, by legitimate means, to become an owner of a viable capital estate?

by legitimate means  
estate?

We search in vain for this question in:

- The Employment Act of 1946
- The staff studies and reports of hearings before the Joint Economic Committee of Congress
- The reports of the Council of Economic Advisers
- President Eisenhower's Economic Goals Commission
- The Rockefeller Panel Reports
- The Economic Opportunity Act of 1964
- The reports of the Office of Economic Opportunity
- The National Planning Association's 1968 report, "National Economic Projections to 1977-78", Report No. 67-N-1.

Indeed, is it not strange that even that august body, the New York Stock Exchange, the National Association of Securities Dealers, and the National Association of Registered Stock Exchanges, and the National Association of Securities Analysts, etc. can only suggest that the 95% of our families who own no significant capital should reduce their consumption, increase their savings, and bid up the market price for already outstanding stocks?

Why is it that none of these ask "How come corporate management does not finance corporate growth by means which would create millions of new stockholders with dividend incomes to buy the products the corporations want to produce?"

Could we possibly believe that the 5% of families who, for the last half century in the U.S., owned all its capital are the only ones capable of owning it, taking care of it, appreciating and enjoying it?

We all know that there are two kinds of production-oriented income:

- One from owning productive labor power
- The other from owning productive capital.

What makes our corporate executives think they can expand facilities and output of goods and services to the physical limits (and it is, after all, those goods and services that eliminate poverty) unless they finance their corporate growth so as to make millions of new capital owners each year with dividend income to spend in the market?

Do they think that financing their corporate growth so as to make Howard Hughes, John Paul Getty, the Rockefeller Brothers, the Kennedy Brothers, or Lyndon Johnson richer will cause these distinguished consumers to buy any more goods and services?

Why is it that we use great ingenuity to devise credit techniques to enable people without savings to buy consumer goods -- like houses, autos, refrigerators, television sets, even vacations and travel -- though such consumer goods do not produce income and cannot pay for themselves, while corporate stocks in the well-managed businesses of our economy cannot be bought on credit, even though they represent physical capital which can pay for itself and thereafter provide income to its owners?

Why, when we know we cannot conquer poverty without building an economy many times as productive as the present one, do we think only in terms of redistributive measures like higher taxes on the rich, higher wages and welfare payments, when we could begin building that second economy and designing its financial structure so that its capital becomes owned (through financed purchase) by the 95% of families who own no significant capital today?

We could create anywhere from 5 to 15 million capital owning families each year, while building our productive power to the point where we can produce affluence for every family and every family will have the purchasing power to buy it.

We all appreciate the wisdom of Aesop when he said "It is easy to give meat to a tiger, but very hard to take it away."

Why, then, do we not cry out against a system of business finance that puts all new productive capital in the hands of those who own - in enormously concentrated holdings - all the vast hoard of existing productive capital?

Why, in fact, do we not inquire into the possibility of financing the vast second economy we need to eradicate poverty in ways that make every family in America an owner of a viable capital estate with a second source of income -- a second leg to use in climbing up the ladder to affluence?

In short, why do we fight the war against poverty with full employment, and doles, variously disguised, when for decades these have proven to be inadequate,

and fail to employ a weapon like broader capital ownership which, though so far used only by a few, has never failed to conquer poverty -- usually permanently.

## INTRODUCTION

In an article written before his assassination and published posthumously (LOOK, April 16, 1968, pp. 23-25), the late Dr. Martin Luther King, Jr., reminded us that in spite of years of national progress, the plight of the poor is worsening. In an historic understatement, Dr. King added that the American people "do not have a millenium to make changes."

It is too late for vague and sentimental thinking. It is too late for more and bigger doles, subsidies and other poor-law palliatives that have proven inadequate for at least three decades. It is most particularly too late to depend any longer on war as the "employer of last resort."

Clear, straight and honest thinking must now take place.

To catalyze that thinking, the Congress of Racial Equality, Inc., together with its friends and sympathizers, has published this short pamphlet. It raises questions that never before have been asked about poverty in America. It presents the case for a radical change in American economic policy, and for a revision of American economic goals. It suggests specific areas of legislation where our Federal and state governments, their chief executives and their legislators, their agencies and departments, can immediately begin to implement a program rationally designed to eradicate the cause of poverty from our society.

The editorial "we" used throughout this pamphlet refers to the Congress of Racial Equality, Inc, its members, and all organizations and individuals who support or sympathize with this effort.

We address this pamphlet to the President of the United States, to the Congress of the United States, to the Governors of the states of the United States, and to the legislative bodies of each of those states; to all agencies of the Federal and state governments concerned with the economic wellbeing of the citizens of the United States and of the several states; to the managements and boards of directors of all corporations

in the United States, and the managements and owners of all other business enterprises; to the candidates for political office in the United States; to the heads of labor unions and the members of labor unions in the United States; to the educators of the United States, to the members of the learned professions of the United States; and to the citizens of the United States generally.

#### GENERAL CONCEPT

Because this inquiry represents a radical departure from routes followed by conventional anti-poverty programs, both existing and proposed, it is appropriate that we explain the thinking which has led us to our conclusion as to the cause of American poverty.

It may be wondered whether a radical departure from conventional solutions is possible. Poverty in the American economy has been so minutely scrutinized, so lengthily documented and so vividly described by so many prestigious authorities, specialists, and experts serving on such a variety of panels, boards and commissions that all possibilities for economic innovation might appear to have been exhausted.

Our proposal begins by rejecting many of the assumptions and explanations that these well-intended and unquestionably dedicated investigators have offered. We do not believe that poverty in general is caused by lack of a job, for there are people who hold no jobs who are wealthy; nor is it caused by lack of education, for there are uneducated and badly educated people who



are wealthy; nor is it caused by lack of vocational training, for there are people with no vocational skills who are wealthy; nor is poverty in general caused by poor health, malnutrition, or an unstable family environment, for there are people who are unhealthy, undernourished, or with unstable family environments who are wealthy. We do not believe that black poverty is caused primarily by a black skin any more than white poverty is caused by a white skin, or Indian poverty is caused by a red skin. We believe least of all that black poverty is caused by residence in a black community.

We further believe that the poverty of black man and white man alike is easily curable; that its continuance so far into the second century of the Industrial Revolution is due to a fundamental misconception about how goods and services in an industrial economy are produced. Eliminating that misconception, and its influence on our economic institutions, we believe, will unleash the productive potential of the American economy and will enable it to erase general impoverishment with a flood of high-quality goods and services sufficient to provide every family, of every color and ethnic and religious background, with material security and comfort.

We take a pragmatic view of wealth. We define it as physical goods and services useful to man. Poverty is the lack of legitimately acquired purchasing power from secure and dependable sources with which to acquire, as one pleases, useful goods and services -- clothing, houses, furniture, beefsteak, eggs, toys, dental and medical services, airline tickets, and the thousands of other things, including luxuries -- yes, luxuries! -- that go to make up an affluent standard of living. A story told by one of the leaders of the Community Board in Harlem illustrates our view of wealth. To fellow poverty workers who criticized her because she bought a modest new coat, she replied: "But a new coat is what fighting poverty is all about!" Indeed it is!

The tens of millions of impoverished Americans, then, lack legitimate, dependable, and ample sources of purchasing power. But this condition is hardly a matter of personal choice. We must go deeper. We must take a closer look at the economy -- at its production side, which is responsible for generating the physical goods and services that alleviate poverty, and at its institutional side, which controls the distribution of purchasing power to buy the goods and services produced. We may summarize these two sides under the general engineering concepts of input and outtake.

So long as our economy is organized upon the principles of double-entry bookkeeping, then the receipt of income must be a function of valuable productive input into the economy. Similarly, outtake from the business economy, or the receipt of purchasing power, is a reward for productive input under free market forces. How, then, does an individual make input?

Wealth -- useful goods and services -- is produced by two agents or factors. One is human. It includes labor in all of its forms -- intellectual, entrepreneurial, and managerial, as well as manual. The other is non-human. It includes physical productive capital in all its forms -- land, structures, and machines. Each factor produces wealth in exactly the same physical, economic, political, and moral sense. Let us call this two-factor theory. It is a radical departure from existing economic concepts which falsely assume that the productiveness of labor is raised by capital instruments, irrespective of the non-ownership of the capital by the workers involved. It follows, then, that an individual may make economic input or a productive economic contribution in either of two ways -- through his labor, which he owns, or through productive capital, which he owns, or through both.

Distribution of the wealth produced by an economy, or its income equivalent, corresponds to outtake. Logically, there are only two possible patterns of distribution, and these differ as night from day.

- o One is input oriented. It automatically allocates the output of personal income from each productive process on the basis of productive input. It is the distributive principal of a private property business economy. It is the basis of double-entry bookkeeping.
- o The other is non-input oriented. Under it, outtake is based not upon productive input, but upon the need of the recipient, as determined by central authority. This is the principle behind such proposals as the negative income tax and the guaranteed annual income. It is the principle underlying all conventional welfare programs from the Elizabethan poor laws down to this moment. It is the principle underlying the bread-and-circus techniques of the late Roman empire, when concentration of land ownership in the provinces swelled the cities

with displaced land-tillers, a phenomenon now being repeated in our own time. This principle, the need principle, is foreign to, and incompatible with, double-entry bookkeeping. It is equally foreign to and incompatible with human dignity, with economic motivation, and with the industrial production of general affluence. It destroys civil liberties and political freedom.

"There is no donation, however gaudy, that can fill the place of justice. The attempt of the ruling class to do this is the oldest trick in history. It was the opinion of a Roman emperor, 'magnificence in gifts may deceive even the gods.'" (John Graham Brooks, THE SOCIAL UNREST - The MacMillian Company, N.Y., 1903, p. 203.)

Private property has the same function in the economy as circuitry in electronics, or piping in hydraulics: it directly connects productive input with distributive outtake. Thus, under private property, the worker is entitled to the value of the wealth his labor produces, and the owner of capital is entitled to the value of the wealth his capital produces, value in each case being determined under conditions of workably competitive markets.

So long as we respect double-entry bookkeeping -- and we have no quarrel with either the justice or the wisdom of that practice -- then for any given time span, the aggregate market value of goods and services produced by a particular industry, or by the economy of a particular area, or by the economy of the United States as a whole, is equal to the purchasing power received by the participants in such production as the direct and automatic result of the productive process. In other words, the market value of economic goods is simply a cumulation of the costs and profits charged or received by the producers.

This means that aggregate purchasing power in each case is always adequate in quantity to enable the participants in production to buy in the market the goods and services produced. But this does not mean that the purchasing power, potentially sufficient in the aggregate, will be used for this purpose.

- o Those with consumer needs and desires in excess of their purchasing power (i.e., their economic productive power) can clearly not satisfy those needs and desires.

- ° Those with purchasing power (resulting from their superior economic productive power) in excess of their consumer needs and desires 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, popularly known as poverty, on the one hand, and concentration of ownership of wealth or productive power, on the other:

(1) 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. This is the non-input oriented principle discussed above.

(2) Institutional changes which increase the productive power of under-productive households and individuals so that they may legitimately receive enough income to satisfy their reasonable needs and desires. THIS METHOD HAS YET TO BE USED 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" so financed that it becomes owned in moderately sized holdings by the great majority of households and individuals who own no productive capital in the existing economy. This is the corrective method implicit in two-factor theory.

The technical facts of life are such that each year, at an accelerating rate since the inception of the Industrial Revolution, more and more of the productive input is by the non-human factor of production -- i.e., improved land, structures, and machines -- while the productive input of the average worker has remained about the same, or has declined.

In the early days of America, the principal form of capital was land. We were an agrarian economy. At first, the open frontier, and later the Homestead Acts, made capital (land-capital) accessible to those born without it, provided they were courageous, ambitious -- and white. ". . . The slaves were freed in 1863, but the nation refused to give them land to make that emancipation meaningful. Simultaneously, the nation was giving away millions of acres in the Midwest and West -- a gift

marked 'for whites only.' Thus, an economic floor was placed under the new peasants from Europe, but America's oldest peasantry was provided only abstract freedom." (Statement issued November 3, 1966, at the Statue of Liberty, the National Committee of Negro Churchmen.)

Although the Homestead Act generated the bone and muscle of conservative capitalist America, with the closing of the frontier -- perhaps around 1900 -- its rationale was never applied to industrial capital, despite the fact that today fabricated capital is more than five times as significant as land in the United States economy, and produces the overwhelming bulk of its goods and services.

There are no known limits to the amount of additional fabricated capital that could be brought into existence in the U.S. economy if the non-affluent masses had purchasing power. Wherever we look, we see evidence that the managers, the engineers, and the scientists, working with the productive capital of the economy and the labor force (or more accurately, part of the labor force), are able continuously to expand at annual rates of 20% or more the production of virtually all those goods and services that make for private and public affluence. In other words, we have the physical ability to replace conspicuous poverty with general affluence: the affluence of every family and individual. And this could be accomplished in only a few years, if we began now. The task is not only physically feasible, but the producers and vendors are eager to get on with it. The non-affluent 90% (our estimate) of the population, particularly the bottom level of poverty, the black population, is no less eager to increase their consumption.

What then is preventing the producers of our great economy from turning out the streams of goods and services that the non-affluent majority are longing to buy and consume, but cannot? That mystery is dispelled by the economics of reality, or two-factor theory, the brief essentials of which we have outlined above.

The non-human factor that produces the great bulk of goods and services of the American economy is owned by a very few families -- no more than the top 5%. As new capital formation is financed now under conventional techniques, it becomes owned by the same families and individuals who own the economy's existing capital. Corporate management, and financial experts, almost universally structure the financing of new capital formation so that its ownership is acquired by those whose consumer needs and wants are already saturated by secure streams of income that flow from their already substantial

capital holdings. In other words, conventional finance perpetually works to fulfill the Biblical prophecy: Unto everyone that hath shall be given, and he shall have abundance; but from him that hath not shall be taken away even that which he hath. "If you are a poor man now, Aemilianus, a poor man you will always be," said Martial in the first century A.D. "Nowadays, riches are bestowed on no one but the rich."

The average man, the individual who is not a member of the tiny capital-owning minority, has only his labor power to sell. The poor members of our society, both black and white, have an abundant ownership of one of the factors of production: labor power. In a free market, that labor power is not, with rare exceptions, worth enough to produce, in our double-entry bookkeeping economy, sufficient income to give the worker or his family even a paltry subsistence.

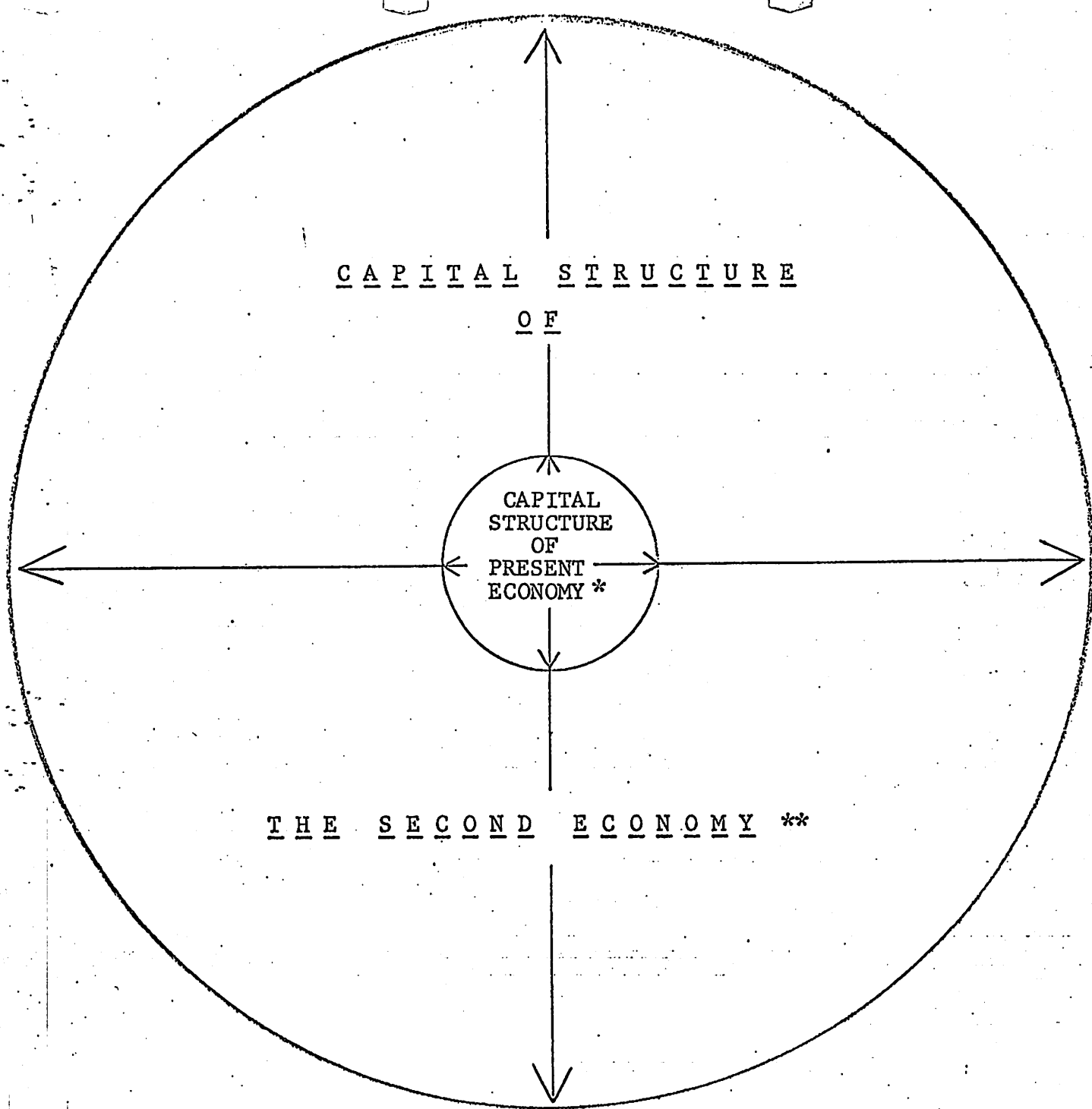
New capital formation in the great corporations of our economy never comes into existence unless competent and highly qualified professional management and financial experts are convinced that it will pay for itself, generally within three to five years.

-- So it is inherently financeable.

-- New financing techniques can enable the man without capital to buy it, and to pay for it out of the wealth it produces, and thereafter to enjoy a new stream of income. If there is also a demand for his employment (and the only full employment possible in our advanced industrial economy must result from the building and operation of a second economy producing humanly useful and desirable goods), he will then have two sources of income with which, on the one hand, to erase his poverty and, on the other hand, to provide the market -- the effective market -- for expanded output by industry and business.

Thus, the object of the program for industry and business which we urge can best be illustrated in the following manner:

Let the small circle below represent the capital structure of the present economy of the United States, and let the larger circle surrounding it represent a second economy, to be built through expansion several times over of the present one.



\* Representing the capital structure of the present economy, owned by the wealthiest 5%, the ownership of which must be protected and preserved.

\*\* Representing an expanded economy to be so financed that it will become owned, in reasonable-sized and diversified equity holdings, by the 95% of families and individuals who own no part of the present economy's productive capital.

The functional objectives of this plan, and the techniques and projects to be developed to implement it, are simple enough in their general concept:

(1) To protect, conserve, and tighten the ownership of present capital owners in the existing economy, so that they ultimately can be freed from having income redistributed to others that would flow to them if their private property in their capital were fully effective and protected. It is simply nonsense to suppose that we can begin building a private property economy in which every consumer can own productive capital by taking anyone's private property away from him.

(2) To raise the power to produce wealth (and thus to receive income) of individuals of low or no economic productive power by enabling them legitimately to buy, pay for, and become the owners of productive capital.

(3) To so structure the financing of the second economy that its ownership can be legitimately acquired, in moderate-sized and diversified holdings, by the great majority of families and individuals, and most urgently by the poverty stricken black families and individuals who live in ghetto areas, the other poverty ridden minority groups, and the great number of severely poverty stricken whites in our economy.

(4) To enable the smooth expansion of the production of useful goods and services of the economy and the commensurate expansion of the ability of all of its citizens to consume, free of the strife, impairment of production, distortion of prices, invasion of private property, and the demotivating influences of all the time-worn and discredited techniques of attempting to distribute the income produced primarily by capital through labor and welfare.

#### THE PURITAN ETHIC

The moral principle that "if any would not work, neither shall he eat" is often referred to as the Puritan ethic. But in the two-factor industrial world in which we now live, production is not confined to labor alone. An updated Puritan ethic must acknowledge the truth that man produces not through toil alone, or even through toil



mainly, but through his ownership of the non-human factor of production. To insist that man continue to legitimate his income through symbolic toil is to negate the achievements of science, engineering, management and labor itself in shifting the burden of economic production from man to the forces of nature harnessed in the non-human factor. It is a unique advantage of the program here advocated that it conserves the Puritan ethic as a moral principle, but adapts it to the industrial age.

### GRADUAL PHASING IN OF THE NEW PROGRAM

To be sure, we are well aware that these goals, even with the finest of cooperation between the representatives of the poor and those of major business organizations, banks, insurance companies, labor unions, and governments will require several years to accomplish.

If the genius of business and finance will face the problems, if it will face the real cause of poverty, which is the lack of economic productiveness of the non-capital-owning individuals and families, and if these will work with our governmental agencies and with Congress of Racial Equality, Inc. and other responsible organizations and individuals seeking to find a means of bringing general affluence and peace to our society, towards a common goal, the carrot of hope will become progressively more visible to all. Reasonable patience may be expected from the long-deprived poor, who today stand restless and without hope of anything but welfare, contrived jobs, and frustration.

Eventually, the welfare programs which must continue, perhaps even expand, as an interim expedient to enable sound reform to take place and to help us to get from where we are to our destination, can be substantially eliminated. The varieties of welfare that may be necessary in the interim will not then be just one more link in an endless chain of expedients for expediency's sake, without rational plan or goal.

THE IMPORTANCE OF EVERY MAN'S  
PRIVATE OWNERSHIP OF PRODUCTIVE CAPITAL

There are other important aspects to broad capital ownership. Some of these are suggested by the following quotations:

" . . . property affords day-to-day protection in the ordinary affairs of life. Indeed, in the final analysis the Bill of Rights depends upon the existence of private property . . . Civil liberties must have a basis in property, or bills of rights will not preserve them."

- Associate Professor of Law, Charles A. Reich, in the YALE LAW JOURNAL, April 1964.

"I can't be a man by you givin' things to me. I can't be a father by you givin' to my kids. My kids have got to get from me, if I'm to be their father."

- Negro ghetto dweller on CBS News Special: "Summer '67: What We Learned" September 19, 1967.

"Tiberius, maintaining an honorable and just cause, and possessed of eloquence sufficient to have made a less creditable action appear plausible, was no safe or easy antagonist, when, with the people crowding around the hustings, he took his place and spoke in behalf of the poor. 'The savage beasts,' said he, 'in Italy, have their particular dens, they have their places of repose and refuge; but the men who bear arms, and expose their lives for the safety of their country, enjoy in the meantime nothing in it but the air and light; and, having no houses or settlements of their own, are constrained to wander from place to place with their wives and children.' He told them that the commanders were guilty of a ridiculous error, when, at the head of their armies, they exhorted the common soldiers to fight for their sepulchers and altars; when not any amongst so many Romans is possessed of either altar or monument, neither have they any houses of their own, or hearths of their ancestors to defend. They fought indeed and were slain, but it was to maintain the luxury and the wealth of other men. They were styled the masters of the world,

but had not one foot of ground they could call their own."

- TIBERIUS GRACCHUS (Tribune of the Roman People) by Plutarch (Greek, A.D. 50-120).

"It is absurd to entrust the defense of a country to people who own nothing in it."

- Diodorus Siculus (speaking of Egypt) quoted by C.M.J. Letourneau in PROPERTY: ITS ORIGINS AND DEVELOPMENT; cited p. 11 by Reinhold Niebuhr, MORAL MAN AND IMMORAL SOCIETY.

"Human slavery will not have been fully abolished until every task now accomplished by human hands is turned out by some machine."

- Thomas A. Edison (quoted in Temporary National Economic Committee Hearings on the Concentration of Economic Power, 1940, Part 30, p. 16919.

"How are we going to live if a few people own our natural resources and a few other people own our machines and machines do all the work or most of it? We will be living pretty largely by the grace of a few owners."

- Byrl Whitney, Director of Education and Research of the Brotherhood of Railroad Trainmen, Cleveland, Ohio, Idem, p. 16899.

"When the machine displaces man and does most of the work, who will own the machines and receive the rich dividends?"

- Justice William O. Douglas in a pamphlet, "Freedom of the Mind."

#### THE NEED FOR A NEW CORPORATE STRATEGY

In the course of each year, the boards of directors and the managements of U.S. corporations, and most importantly the boards of directors and managements of our largest corporations, make decisions that bring into existence anywhere from sixty to one hundred billion

dollars (depending on what the statistics include) of newly formed productive capital. These boards and managements have a choice:

(1) They can so design the financing of each increment of productive capital so that as it pays for itself, it will become owned by the same small group, the top 5% or so of wealth holders, who previously owned virtually all the productive capital of the economy; whose consumer needs and desires are, and will continue to be, saturated; or

(2) Each annual increment of productive capital can be so financed that, as it pays for itself, it becomes owned by families and individuals in the 95% majority of our population who own no productive capital and whose unsatisfied economic needs and desires increase in severity as one descends to the economic level of the black ghetto and of the other minority and white "pockets" of severest poverty.

Corporate management has traditionally employed a strategy under which it almost invariably connects by ownership the newly formed productive capital to those who already own all existing capital, whose consumer needs and desires will not increase with further income -- only their desire for further capital investment. Corporate strategy has traditionally centered upon the maximization of production and sales, the minimization of cost (normally by saving labor) and maintaining a good corporate image.

We submit that the traditional corporate strategy is in fact but half-strategy. For it is vain and self-defeating for the managers of our corporate economy to seek to expand the productive power of our great business enterprises, without also seeking to raise the power of potential customers to consume. The discipline of double-entry bookkeeping makes it clear that the managers can neither legitimately nor effectively raise the power of the masses to consume, except by building private capital ownership into them.

It would seem that up to now, the problem is more easily perceived by a poet than by a manager:

"Industrialists' Prayer

"Lord, make all men feel that they are suffering from the lack of my commodity. Let them not really

need it, since I would be uncharitable in asking that. Let them just think they need it-- and let them think so very, very hard. And let them get the money somehow to buy it.

"Not from the government, since that would increase my taxes. Not from higher wages, since that would increase my costs of production. And not as manna from Heaven, since that would cause inflation.

"All that I ask of Thee, Lord, is just one more miracle, that good business shall not perish from the earth."

- Kenneth Burke

It is contrary to the logic of business to "create" jobs, as the popular demand is phrased today. Legitimate jobs must be a means, not an end. In the course of building the Second Economy, we can undoubtedly achieve for two or more decades legitimate full employment; full employment in building the capital structure large enough to produce general affluence, rather than present pinnacle affluence. Where legitimate demand for employment in the production of useful goods and services supported by effective consumer demand has existed, business has historically had no problem in getting employees, training employees, and motivating employees with adequate wages.

We invite the state and Federal governments, and the business community of the United States to work with us in devising ways to make effective a valid corporate strategy in which the poor will be enabled to become more economically productive through buying, paying for, and owning productive capital.

## CONCLUSIONS AND RECOMMENDATIONS

We believe this brief statement explains the necessity for a change of national economic policy, and sets forth what that change must be. Our economic problems must be restated in terms of two factors of production, rather than in terms of labor alone. And the answers to those problems must be formulated in terms of two factors of production, rather than one.

It is neither the evilness of men, nor the niggardliness of nature that lies at the root of American poverty; it is simply good old garden-variety ignorance and the failure to correctly analyze the process by which real wealth -- the things that eliminate poverty -- is produced.

### RECOMMENDATIONS TO CONGRESS AND THE STATE LEGISLATURES

To suggest some of the directions which congressional and legislative investigation might take, and some of the areas in which congressional and state legislative reforms are needed in order to give us an economic system in tune with the technology of our times, we put forth the following suggestions and proposals.

### TO BRING ABOUT TRUE EQUALITY OF ECONOMIC OPPORTUNITY

We recommend that the Employment Act of 1946, the basic piece of economic policy legislation of the United States, be modified, and that a "Full Production" economic policy be substituted for "full employment."

As so amended, the law would declare that the economic goal of the United States and of its citizens is not mere full employment as such, but the production of affluent levels of useful goods and services for every family and individual in this nation. It would proclaim the right of every family and mature individual to produce for itself or himself an affluent level of income through

- employment; to the extent that the state of technology requires it, and through
- individual ownership of interests in the machines, structures and land (in other words, in capital) by a growing proportion of families and individuals, and in due course, by every family and individual.

The full production law would proclaim an economic policy of building into citizens and families the economic power to consume by providing them with opportunities to acquire both employment and ownership of productive capital interests. It would recognize that the building of productive power of the nation's economy is useless without, at the same time, and by the same means, building the economic power of its people to buy the goods and services produced. This process can reach its peak only when every family is engaged in the production of useful goods and services, both through employment and through ownership of productive capital.

A draft of proposed legislation designed to effect such a change in the economic policy of the United States is included in the appendix.\* We recommend that bills for the enactment of the policy set forth in the model Full Production Act be introduced into both houses of Congress, under the broadest possible sponsorship, and that the administration and both political parties use their full powers to procure its enactment into law.

We further recommend that the Full Production Act, with appropriate variations, be introduced, under the widest possible sponsorship, as legislative bills in the legislatures of the fifty American states.

We further recommend that our past business and financing practices, and our corporate and financial institutions and their operations, be carefully examined by all those involved in these professions or trades, and those connected with such institutions, who are persuaded of the inadequacy of our present one-factor national economic policy, and that reforms to bring such practices and institutions into line with the proposed new policy be instituted.

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We further recommend that new legislation be introduced into both houses of Congress to establish a new department in the Federal government, to be known as the Department of Capital Ownership, to be headed by a cabinet-level officer, the Secretary of Capital Ownership, charged with the responsibility for advising the President

-- on ways and means of enabling citizens with little or no private capital ownership, including racial minorities, legitimately to acquire such capital ownership,

-- on ways and means of promoting economic growth and the creation of new capital formation,

-- on ways and means of protecting the private ownership and the integrity of capital ownership of both present capital owners and those who become new capital owners under the new policy.

We further recommend that similar departments of capital ownership be established within the governments of each of the fifty states.

We further recommend that each of the houses of Congress establish a new committee on capital ownership, each charged with responsibility for investigating the status, extent of diffusion of ownership, effectiveness of private ownership, and undue concentration of ownership of capital within the United States, and for proposing remedies where needed. Such committees would also be charged with the introducing and handling of legislation designed to facilitate acquisition of capital ownership by citizens and families that do not own capital, through providing the financing to enable them to buy and pay for it. The adequacy of the educational system to inform citizens on capital ownership and the recommendation of legislation to promote such education would also fall within such committees.

We further recommend that a clear distinction be set forth and legislatively defined between temporary emergency legislation and the long-range economic goals of the United States, to reflect that while dire economic needs of the majority of our people who are not affluent, particularly those in the lower third of income levels, as a matter of intermediate expediency, probably must be met by public and private grants, subsidies, work artificially created at public expense,



and other distributions based on need, the proper economic goal of a free society is to foster institutions which will enable all men to become affluent through increasing their own productiveness, and that the chief means of doing this is to enable them to buy, pay for, and to use and enjoy, the private ownership of productive capital in their lives.

We further recommend that present Federal and state urban renewal legislation be amended to the end that urban renewal commercial and residential rental projects of the future can and shall be financed in a manner that will enable hundreds of thousands of citizens who today do not own productive capital to acquire viable holdings of such productive capital.

We further recommend that legislation be introduced and passed at the Federal and state levels to modify and supplement existing laws to facilitate the financing of labor-displacing new capital equipment in such manner that workers thereby displaced are enabled through appropriate credit mechanisms to buy, pay for, employ in their lives and enjoy the private ownership of, and income from, equity shares representing such new capital.

We further recommend that legislation be introduced and passed at the Federal and state levels, to modify existing legislation to make it possible for the jobless, the aged, the unsupported mothers of small children whose employment would be adverse to the care and education of their children, and the physically infirm, through appropriate credit mechanisms, to buy, pay for, employ in their lives, and enjoy the private ownership of, and income produced by, capital stock newly issued in connection with the expansion of the nation's private productive economy.

We further recommend that legislation be drafted, introduced, passed, and enacted into law, both at the Federal and at the state levels, to finance capital ownership for non-capital-owning workers. This would involve amendments to Federal and state banking laws, savings and loan laws, laws regulating the financing of public utilities, and the state insurance codes to facilitate cooperation between corporations and unions of their employees in financing new capital formation in ways that enable employees, retired employees, and those displaced by automation to acquire and pay for newly issued equity stocks, to the end that the economic freedom and economic power to consume of the non-capital-

owning masses of our people shall be strengthened by their private ownership of diversified holdings of productive equity capital, and that labor unions will assume their share of responsibility to see that this comes about.

We further recommend that appropriate legislation be introduced and passed, at the Federal and state levels, to encourage corporations in gradual steps, to distribute a high proportion of their net earnings to their shareholders, and, at the same time, to greatly facilitate the financing of corporate growth by the sale and issuance of new credit-financed capital stock to citizens and residents who have inadequate holdings of productive capital. If growing numbers of the presently non-affluent are to become dependent in part (or in some cases, perhaps wholly) upon capital ownership for their participation in production, the wages of capital must be fully and regularly paid to the owners of capital.

We further recommend that appropriate legislation be introduced and passed, at the Federal and state levels, to clarify economic policy so that the myth that it is the incompetence of the average man which prevents him from acquiring and owning productive capital is destroyed, and the truth that it is the incompetence of our financial and credit institutions that prevents the average man from acquiring, owning, and enjoying such ownership is recognized.

We further recommend that appropriate legislation be introduced and passed, at the Federal and state levels, to make effective the policy of facilitating capital acquisition by families and individuals who do not own viable capital estates. Such legislation would be designed simultaneously to accelerate economic growth and to escalate the economic power of millions of employees and unemployed persons to obtain a second income through acquiring ownership of productive capital. It would authorize the formation of private insurance syndicates and/or a public FHA-type insurance agency to insure (much as the F.H.A. insures banks in the home-loan field today) commercial banks, insurance companies, pension and profit-sharing funds, savings and loan associations, and other lenders who would finance the purchase of newly issued equity shares in qualified corporations by people who now own little or no capital. The Second Income Plan insurance, through wisely designed credit mechanisms, would enable low-income people to buy, pay for, use and enjoy the private ownership of reasonable-sized holdings of productive capital.

We further recommend the introduction, both at the Federal and state levels, of legislation designed, over a period of years, to abolish corporate income taxes as rapidly as the growth of higher personal incomes through broadening of capital ownership and consequent acquisition of second incomes by the people will permit. The principal logical means of broadening capital ownership are the financing of the purchase of newly issued stocks, representing new capital formation, by enabling buyers to pay for them out of the income produced by such new capital. The corporate income tax impairs the ability of capital to pay for itself, and is an invasion of the integrity of private property in capital. It should be remembered that as personal and family economic security is established through second incomes from privately owned capital, government tax requirements -- now used largely for welfare distributions, including welfare programs disguised as defense programs -- will decline.

We further recommend the introduction and passage of legislation, both at the Federal and state levels, to repeal inheritance and estate taxes on bequests by deceased persons to other individuals, regardless of relationship, where the estate of the receiver, after the gift, does not exceed some reasonable size established by legislative policy -- say \$50,000. Bequests which raise capital estates beyond the target size would be subjected to graduated taxes, as they now are. Larger tax-free bequests to members of one's immediate family might also be authorized. The object of such estate and inheritance tax policy should be to encourage development of millions of medium-sized capital holdings that will supplement family purchasing power through second incomes.

We further recommend the introduction and passage, at the Federal and state levels, of legislation designed to repeal gift taxes on gifts to individuals, regardless of relationship, where the capital estate of the receiver after the gift, does not exceed some reasonable size established by legislative policy -- say \$50,000. Bequests which raise capital estates beyond the target size would be subjected to graduated taxes. Larger tax-free gifts to members of one's immediate family (i.e., a higher capital estate level before the graduated tax would apply) might be authorized. The object of gift tax policy, like that of the estate and inheritance tax policy, should be to encourage development of millions of medium-sized capital holdings that will supplement family purchasing power through second incomes.

We finally recommend that both within the Federal and state governments, and in all other sectors of our society, attention and energies be concentrated upon bringing about honest full employment of our labor force in the production of humanly useful goods and services, through policies designed to bring about the building of the Second Economy. The Second Economy needed would consist of new productive capital many times as productive as the existing economy, such Second Economy to be owned, in middle-class capital holdings, primarily by the 90% of our families and citizens who own no income-producing capital today, and most urgently by the unemployed poor. This would not only free us from the resource waste resulting from subsidized redistribution through employment in producing non-economic goods (military overkill, agricultural surpluses, space waste, etc.), but would bring about honest full employment for the two or three decades required to build the Second Economy. It would give our educational system time to bring forth a generation of citizens capable of coping with the problems of leisure arising in a fully automated and fully affluent society.

## THE FULL PRODUCTION ACT OF 19—

### EXPLANATORY NOTE

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The Full Production Act of 19—, although useful as a model for economic policy legislation based on two-factor theory, either at the national, state, or provincial level, has been designed for illustrative purposes to replace the Employment Act of 1946. Since the latter act is generally recognized to be the most important economic policy legislation in the United States, the immediate question arises as to why it should be superseded.

The reason is this: the Employment Act of 1946 is bottomed on one-factor economic theory. It assumes that economic goods and services are produced only by labor, and that capital (the nonhuman factor of production) functions mysteriously to make labor more productive. This is what the "conventional economic wisdom" of our day holds to be true, but in fact, it is not true.

If the function of technology is to shift the burden of production from labor onto capital—that is, to substitute production by the nonhuman factor for human toil; and if the great bulk of our wealth is already produced by capital (rather than by labor), as our eyes tell us is the case, then full employment, even if attainable, is *never enough*. No household can reach its maximum economic productiveness, no matter how many members of it are

employed, nor can it enjoy equality of opportunity for personal leisure and economic security, unless it also owns a viable capital estate.

The Full Production Act retains the ethical principle of the Puritan Ethic and of the Employment Act of 1946; namely, that every household should produce the wealth it reasonably desires to consume. Morally, this is beyond dispute. The question is one of means. If only labor produced goods and services, then people could only legitimately produce income through their labor. But if there are two factors of production (and, *a fortiori*, if the tendency of technology is to improve the productivity of only one of them: capital), then equality of economic opportunity clearly means something more than opportunity to obtain a job, and being fully productive in the economic sense means something more than employing only one's labor. This is the ethical import of the Full Production Act, which defines economic opportunity as the right to be productive, either through employment (where the prevailing state of technology requires it) or vicariously through private ownership of the non-human factor of production: capital—or through a combination of both.

The Full Production Act would declare a public policy of extending affluence to all households by raising their economic productiveness. Because the productiveness of labor in general has at best remained stationary through the ages, while the productiveness and relative quantity of capital instruments has been and is constantly rising through technological progress, the one-factor theory Employment Act of 1946 of necessity has been implemented largely by artificially contriving employment for its own sake, and distributing welfare under the guise of higher wages and fringe benefits. The Full Production Act would be implemented to a substantial degree by changes in corporate financing practices and facilitating legislation making it possible for more and more households to increase their economic productiveness through purchasing, paying for,

and thereafter employing the private ownership of productive capital in their daily lives.

## THE FULL PRODUCTION ACT OF 19— \*

An Act to declare a national policy (1) on facilitating the full employment (as herein defined) of all able-bodied and competent persons, (2) on the full participation in the production of economic goods by all consumer units in the economy, (3) on the protection of private property in individual labor power and in the ownership of capital as the factors of economic production, and for other purposes . . .

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Short Title:

SECTION 1. This Act may be cited as *The Full Production Act of 19—*.

*Declaration of Policy:*

SECTION 2. Congress declares it is the continuing policy and responsibility of the Federal Government to recognize, and to encourage the citizens of the United States to recognize that:

A. Man is born a creative entity combining the physical attributes of an animal with the spirit and soul of a human being.

B. Man's creativeness imposes upon him the duty and obligation to engage in creative work from his maturity and the completion of his formal education until the cessation of his creative capacity through death or disability, subject only to reasonable respite for rest and recreation, and that one who so engages in such creative work is "fully employed" within the contemplation of this Act.

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C. The creative work of man is of two kinds, corresponding in general to the two aspects of man, animal and spiritual: one of these is the work of producing economic goods and services to satisfy man's need for creature comforts and economic security, and the other is the work of producing the goods of civilization which administer primarily to the mind and spirit of man, including the arts, the sciences, religion, education, philosophy, statesmanship, and the like.

D. There are two factors or instrumentalities which engage, or may be engaged, in the production of economic goods. These are the human factor (which is commonly called "labor") and the nonhuman factor (which is commonly called "capital"); that capital consists of all those things which are external to man, are privately ownable under the prevailing system of laws, and which are capable of being engaged in production.

E. The nonhuman factor, as the result of technological advance (including automation), plays (and increasingly since the beginnings of the industrial revolution has played) an expanding role in the production of economic goods and services, while the human factor plays (and presumably will always play) the dominant and unlimited role in the production of the goods of civilization. The purpose and end of all productive activity, both economic and of the goods of civilization, is the consumption and enjoyment of such goods by man.

F. It is the policy of the laws of the United States to assure and protect the integrity of private ownership of the factors of production by the individual citizens of this nation and by others; that in the case of the production of economic goods and services, the functional essence of such private ownership lies in the right and privilege of the individual owner of each productive factor so engaged in production to receive, *as a matter of right*, the entire net product of the thing owned; that this principle of private property is equally applicable to the income or wealth produced by the labor power pri-



vately owned by the worker (the human factor) and to the income or wealth produced by the non-human factor owned by the capital owner; that the right and privilege of private property in the means of production is meaningless in a free economy and free society unless the *value* of the income or wealth produced by a factor of production is (except in the case of legally authorized and regulated monopolies) freely and impartially determined by the forces of supply and demand in workably free, competitive markets; that this principle of private property in the means of production is embodied in the principle of distribution of economic goods and services (or their purchasing power equivalent), of the private-property, free-market economy of the United States, which is "from each according to what he produces, to each according to what he produces."

G. The nature and function of technology is to provide the means by which man subdues nature and makes her perform for him the work of producing economic goods and services; that through progress in technology, man transfers the burden of economic production from the human factor (labor) to the nonhuman factor (capital); that the promise implicit in technology is the release of man from the obligation to toil for the production of economic goods and services, and thus to free him to devote ever more fully his energies to the advancement of his civilization through the more disciplined and difficult work of producing the goods of civilization, so that the full employment of man's creative energies must consist increasingly, as technological progress moves forward, in his devoting his energies, efforts, and powers to the production of the goods of civilization.

H. The freedom and dignity of each consumer unit (household) within the American economy, whether it be comprised of an individual or of two or more individuals, requires that each such consumer unit produce, and that it constantly have the power and opportunity to *produce*, within the limits of the overall capacity of the economy

the purchasing power equivalent of the economic goods and services which it reasonably desires to consume; that the recognition of this right on the part of each household imposes upon the government of the United States and upon the governments of the several states of the Union, to the extent they shall by appropriate legislation concur herein, a social responsibility to foster the institutions under which citizens may produce the economic goods and services, and may acquire the private ownership of the means of producing the economic goods and services necessary to provide themselves with individual economic wellbeing and security and to render unnecessary any citizen's being or becoming an object of economic distribution based upon need in any form.

I. The production of wealth (i.e., economic goods and services) is a means to an end, and is not an end in itself; that the human factor of production (labor) should never be considered a "resource" to be "fully employed" in the production of economic goods and services if those economic goods and services can be produced by the non-human factor of production; that the end to which the production of wealth is a means is the living of a good, comfortable, secure, creative and law-abiding life for individual citizens.

J. The market value of the economic goods and services produced by a free-market economy within a given period of time is approximately equal to the aggregate purchasing power distributed as a direct result of the productive process to those who participate, either through employment of their privately-owned labor power or their privately-owned capital, or both, in the process of economic production.

K. Any consumer unit of this economy that consistently produces, either through its privately-owned labor power, its privately-owned capital, or both, wealth and income in excess of what it reasonably desires to consume and reasonably needs to provide it with economic security, under conditions wherein any other consumer

units in the economy are consistently deprived of the opportunity to produce sufficient economic goods and services or the purchasing power equivalent thereto equal to what they reasonably desire to consume and to provide themselves with economic security, is thereby seeking to excessively concentrate its ownership of personal economic power to produce wealth and thus to indulge its greed; that it is the policy of the United States to discourage and prevent greed where it interferes with the individual economic productive rights of citizens of the United States.

L. Unlike the production and employment of economic goods and services, the production and enjoyment of the goods of civilization is an end in itself, and the need of society for the goods of civilization is unlimited; that the ultimate goal of a free society is to maximize the production and enjoyment of the goods of civilization, not for economic reward, for they are things that are inherently desirable and that ideally would not be produced for economic reward but for their intrinsic value, for the contributions to society and humanity which they comprise, and for the achievement involved in their creation and contribution.

M. Assuming the availability of land and natural resources, each mature individual other than those who suffer physical or mental infirmity is born with the private ownership of the means (his labor power) to contribute, in a pre-industrial, pre-automated economy, to the production of economic goods and services for the satisfaction of his creature needs and desires; that as technological change moves through the advanced stages of automation, the burden of production of economic goods and services falls increasingly upon the nonhuman factor of production, thus reducing and in some cases destroying the economic productiveness of the human factor of production; that under these conditions, the freedom, dignity and general affluence of individuals requires that the Government of the United States and the governments

of the several states of the Union, to the extent that each of them, by appropriate legislation, shall concur herein, promote and foster the institutions under which citizens may maintain and increase their economic productiveness through their lawful and orderly acquisition of increasing quantities of the private and individual ownership of the nonhuman factor of production.

**SECTION 3.** The Congress declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, banking, finance, agriculture, labor and State and local governments, to coordinate and utilize all its plans, functions and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and broad, effective, individually-owned, private property in capital, and the institutions and agencies necessary thereunto, and the general welfare, conditions under which there will be afforded full opportunity for every household, comprised of one or more individuals, able, willing and seeking to produce the wealth (income) which its member or members reasonably desire to consume, to produce such wealth and income either through useful employment, including self-employment, or through the private ownership of interests in productive capital, or through a combination of the two, and to promote the maximum production of wealth and income for all households in the economy with a minimum of personal toil and drudgery.

**SECTION 4. Economic Report of the President.**

**A.** The President shall transmit to the Congress not later than January 20th of each year an economic report (hereinafter called the "Economic Report") setting forth:

**1.** The rate of production of economic goods and services, the levels of participation in economic production by the households of the economy, the extent to

which such production is being achieved respectively through the human factor, and through the privately-owned nonhuman factor, the levels of purchasing power of the households of the economy and the extent to which they result from employment, the private ownership of the nonhuman factor, and from other sources, and the levels and composition of production needed to carry out the policies declared in Sections 2 and 3 hereof;

2. Current and foreseeable trends in the rate of production of economic goods and services, the levels of participation in economic production by the households of the economy, the levels of employment, the levels of capital ownership, and the levels of purchasing power of the households of the economy resulting respectively from participation in production through employment, through the private ownership of the nonhuman factor, and from other sources;

3. The degree to which the value of labor and the value of the nonhuman factor of production are determined by the forces of supply and demand in workably free competitive markets or are administered, manipulated or controlled by private persons, by private corporation, or by public agencies, or otherwise;

4. The extent to which goods and services are being produced by government or government-owned agencies or entities or by nonprofit corporations;

5. The levels of concentration of the ownership of the nonhuman factor of production, and the extent to which greed in connection therewith may be impairing the right of all households within the economy to produce the wealth or income which they reasonably desire to consume;

6. The availability and adequacy of private and/or governmental institutions or agencies for facilitating by financing and by other lawful means the purchase or acquisition of capital equities by households with sub-viable capital holdings;

7. The levels of idleness or failure to engage in creative work within the society, and current and foreseeable trends therein;

8. The extent to which the economically available creative talents and energies of the citizens are fully engaged in contributing to the work of civilization, including the arts, the sciences, religion, education, philosophy, statesmanship, etc., the current and foreseeable trends therein and recommendations for changes or improvements therein;

9. The degree of effectiveness of the laws, both Federal and of the several states, providing for the protection and integrity of private property in the ownership of each of the factors of production;

10. The levels of technological improvement, and the adequacy thereof, under the prevailing state of development in the physical sciences and in engineering to maximize the production of goods and services within the economy with a minimum input of human toil and drudgery;

11. The extent to which wealth and income may be distributed within the economy on the basis of need rather than on the basis of contribution to production, and of current and reasonably foreseeable trends therein and recommendations for the minimization thereof;

12. The levels of technological advance within the various industries, and the current and foreseeable trends therein, and recommendations for the acceleration and improvement thereof;

13. A review of the economic programs of the Federal Government and of the several state governments relating to each of the foregoing during the preceding year and of their effect upon the production of goods and services, the production of the goods of civilization, the minimization of toil, the private ownership of the means of production, the existence of workable and free competition within the markets of

the economy, and upon the existence and extent of idleness or the failure to fully employ the creative talents and energies of the people of the United States, and of the means available for the minimization and elimination of such idleness;

14. A program for carrying out the policy declared in Sections 2 and 3, together with such recommendations for legislation as he may deem necessary or desirable.

B. The President may transmit from time to time to the Congress reports supplementary to the Economic Report, each of which shall include such supplementary or revised recommendations as he may deem necessary or desirable to achieve the policy declared in Sections 2 and 3.

C. The Economic Report, and all supplementary reports transmitted under subsection B of this Section shall, when transmitted to Congress, be referred to the Joint Committee created by Section 6.

**SECTION 5. *Council of Economic Advisers.***

A. The Council of Economic Advisers (hereinafter called the "Council") created in the Executive Office of the President by the Employment Act of 1946 is hereby designated as the Council of Economic Advisers under and for the purposes of this Act. The Council shall continue to be composed of three members who shall be appointed by the President by and with the advice and consent of the Senate, and each of whom shall be a person who, as a result of his training, experience and attainments, is exceptionally qualified to analyze programs and activities of the Government in the light of the policy declared in Sections 2 and 3 of this Act and to formulate and recommend national economic policy to promote full participation in the production of economic goods by all households in the economy, broader and more effective private capital ownership, production, the expansion of privately-owned competitive enterprise, the

full utilization of the creative energies and talents of all citizens and residents of the United States and its territories, and the minimization of human idleness. The President shall designate one of the members of the Council as Chairman and one as Vice Chairman, who shall act as Chairman in the absence of the Chairman. The incumbents of the Council of Economic Advisers established by the Employment Act of 1946 holding office on the effective date of this Act shall hold such offices in the Council of Economic Advisers hereunder, subject to the provisions of this Act.

**B. Employment of Specialists, Experts and Other Personnel.**

The Council is authorized to employ, and fix the compensation of, such specialists and other experts as may be necessary for the carrying out of its functions under this chapter, without regard to the civil-service laws, and is authorized, subject to the civil-service laws, to employ such other officers and employees as may be necessary for carrying out its functions under this chapter.

**C. Duties.**

It shall be the duty and function of the Council:

1. To assist and advise the President in the preparation of the Economic Report;
2. To gather timely and authoritative information concerning economic development and economic trends, both current and prospective, to analyze and interpret such information in the light of the policy declared in Sections 2 and 3 of this Act for the purpose of determining whether such developments and trends are interfering, or are likely to interfere, with the achievement of such policy, and to compile and submit to the President studies relating to such developments and trends;
3. To appraise the various programs and activities of the Federal Government in the light of the policy declared in Sections 2 and 3 of this Act for the purpose of determining the extent to which such programs and



activities are contributing, and the extent to which they are not contributing, to the achievement of such policy, and to make recommendations to the President with respect thereto;

4. To develop and recommend to the President national economic policies to foster and promote free competitive enterprise, full and effective private ownership of capital, rapid growth in the number and proportion of households owning viable capital estates as a means of increasing their economic productiveness, avoidance of economic fluctuations or diminution of the effects thereof, and to maintain the maximum economic productiveness of all households within the economy of the United States either through employment, the private ownership of the nonhuman factor of production, or a combination of the two, as the current state of technology may determine, and thus to promote the growth and expansion of the purchasing power of the households of the economy;

5. Continuously to study and from time to time to formulate and to recommend to the President means for determining:

(a) the actual needs of the civilian economy for employment of the human factor of production after the elimination of all pretended or false employment, featherbedding, or employment which has been governmentally or privately synthesized for the sake of effecting a laboristic distribution of wealth rather than to fulfill an actual need for such employment under the prevailing state of technology;

(b) the size (or other name) of capital estates (herein called a viable capital estate) generally capable, if owned by households of various sizes, of enabling such households to participate in the production of economic goods and to contribute equitably to provide a constant to depend on, and to share with economic security within the economy of the nation as a whole, which contribution shall be

for the purpose of fixing from time to time the minimum goal of capital ownership for all households of the economy which it is the policy of this Congress to encourage;

(c) the size (by dollar value) of capital estate (herein called a "monopolistic capital estate"), which, if owned by households of various sizes, would tend to enable them continuously to participate in the production of economic goods and services in excess of a level necessary to provide a reasonable degree of affluence and private economic security and thus necessarily to deprive other households of the opportunity to participate in the production of economic goods and services sufficiently to provide a reasonable degree of affluence and security within the capacity of the economy as a whole.

6. Continuously to study and from time to time to formulate and recommend to the President means for implementing the policy of the United States to foster the institutions and conditions under which households of the economy can build their privately-owned economic power to enjoy a reasonable degree of affluence as a result of their participation in production through their private ownership of one or both of the factors engaged in production, and thereby to minimize the extent to which such households need rely upon any form of social security or socially distributed welfare within the economy.

7. To make and furnish such studies, reports thereon, and recommendations with respect to matters of Federal economic policy and legislation as the President may request.

D. Annual Report.

The Council shall make an annual report to the President in December of each year.

E. Consultation with Other Groups and Agencies;

**Utilization of Governmental Services and Private Research Agencies.**

1. In exercising its powers, functions and duties under this chapter:

(a) the Council may constitute such advisory committees and may consult with such representatives of industry, banking, finance, science, agriculture, labor, consumers, state and local governments, and other groups as it deems advisable;

(b) the Council shall, to the fullest extent possible, utilize the services, facilities and information (including statistical information) of other Government agencies as well as of private research agencies, in order that duplication of effort and expense may be avoided.

**F. Appropriations.**

To enable the Council to exercise its powers, functions and duties under this chapter, there are authorized to be appropriated such sums as may be necessary.

**SECTION 6. Joint Economic Committee.**

A. The Joint Economic Committee, created by the Employment Act of 1946, is hereby designated as the Joint Economic Committee under and for the purposes of this Act. It shall be composed of seven Members of the Senate, to be appointed by the President of the Senate, and seven Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. The party representation on the Joint Committee shall, as nearly as may be feasible, reflect the relative membership of the majority and minority parties in the Senate and House of Representatives.

**B. Duties.**

It shall be the duty and function of the Joint Economic Committee:

1. To make a continuing study of matters relating to the Economic Report;

2. To study means of coordinating programs in order to further the policy of this Act;

3. As a guide to the several committees of the Congress dealing with legislation relating to the Economic Report, not later than March 1 of each year (beginning with the year —) to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report, and from time to time to make other reports and recommendations to the Senate and House of Representatives as it deems advisable.

4. Continuously to study, formulate and recommend to the Congress means for raising the economic productive power of those households of the economy that are not already affluent, in order thereby to raise their economic power to consume, including, but without being limited to, the following:

(a) promotion of the acceleration of technological progress in the means of producing increased quantities and improved quality of goods and services and the minimization of the use of human toil required for such production;

(b) simultaneously increasing the rate of new capital formation within the civilian economy of the United States and the rate of production and consumption therein of consumer goods and services;

(c) developing means of extending private ownership of capital to a rapidly expanding number and proportion of the households of the economy:

i) through improved and/or new methods of financing the acquisition of equity capital ownership through the use of pure credit in such manner as to create future savings by households devoid of present or past savings, as well as out of current and past savings;

ii) through modifications of the estate and gift tax laws and through discouraging or prohibiting the use of gifts, testamentary or otherwise, or of other practices or devices, to unreasonably concentrate the ownership of capital within particular households;

iii) through methods of financing new capital forma-

tion in commerce and industry in ways which enable workers having sub-viable capital estates to purchase and pay for additional capital interests and through promoting reasonable and adequate diversification in such holdings;

iv) through coordination of antitrust policy and the policies hereby declared, including means of financing the purchase by households having sub-viable capital estates of assets of corporations subjected to divestiture decrees pursuant to the antitrust laws of the United States;

v) through facilitating the establishment and financing of new enterprises and the ownership of such enterprises by a maximum number of households theretofore owning sub-viable capital estates;

vi) through the development of a system of investment preferences on newly issued securities of high investment quality for those households which have sub-viable capital estates;

vii) through such other tax, credit, and other devices or institutions as will be effective for that purpose within the policies hereby declared, together with appropriate restrictions on the use of such devices for speculative purposes or to create concentrated or monopolistic capital holdings;

viii) through the primary use of the credit system to promote new capital formation under the ownership of households having sub-viable capital estates, and through a diminishing use of credit to support the purchase of consumer goods and services as the increased participation in production by all households of the economy through increased capital ownership is achieved.

(d) ascertaining and recommending to the Congress the elimination of governmental practices which encourage the concentration of the ownership of the nonhuman factor of production.

5. Continuously to study and formulate means for making effective in both the legal and economic sense the laws of private property as they apply to the human factor and the nonhuman factor of production, including, but not limited to the following:

(a) the elimination, over a reasonable transition period, of the corporate income tax and other taxes which are levied in such manner as to intercept the

income arising from production by the nonhuman factor before it reaches the hands of the individual owners thereof, together with adjustments in the personal income tax laws so as to prevent them from raising more than the necessary revenues required by government;

(b) the formulation of legislation designed to encourage or require mature corporations (corporations having reasonable access to market sources of financing new capital formation) to pay out to their stockholders 100% of their net earnings, after setting aside only reasonable operating reserves;

(c) the development and encouragement of freely competitive markets within which the value of the factors of production, both human and nonhuman, is determined, provided, however, that the necessity of maintaining a general high level of purchasing power should take precedence over a competitive decline in the value of the human factor of production where it is not substantially offset by an increased participation of the households involved in the production of goods and services through ownership of the nonhuman factor of production.

6. Continuously to study, and from time to time to formulate and to recommend to the Congress means for facilitating the full employment of all able-bodied and competent persons:

(a) to the extent necessary, under the prevailing state of technology, in the production of economic goods and services sufficient to provide a generally affluent economy; and

(b) to the extent that the production of a high and adequate level of production of economic goods and services can be maintained through the full and effective employment of the nonhuman factor of production and the freeing of a maximum number of individuals from the necessity of performing toil in

economic production, in the production of the goods of civilization, including the arts, the sciences, religion, education, philosophy, statesmanship, and the like.

7. Continuously to study and from time to time to formulate and to recommend to the Congress means for extending and deepening the understanding on the part of all citizens of the meaning and implications of the policies hereby declared and adopted.

C. Vacancies.

Vacancies in the membership of the Joint Committee shall not affect the power of the remaining members to execute the functions of the Joint Committee, and shall be filled in the same manner as in the case of the original selection. The Joint Committee shall select a Chairman and a Vice Chairman from among its members. The members of the Joint Economic Committee created by the Employment Act of 1946 who are holding office thereon at the effective date of this Act, shall hold such offices on the Joint Economic Committee hereunder, subject to the provisions of this Act.

D. Hearings.

The Joint Committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings as it deems advisable, and, within the limitations of its appropriations, the Joint Committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants to procure such printing and binding, and to make such expenditures, as it deems necessary and advisable. The Joint Committee is authorized to utilize the services, information, and facilities of the departments and establishments of the Government, and also of private research agencies.

E. Appropriations.

There is authorized to be appropriated for each fiscal year, the sum of \$5,000,000, or so much thereof as may

be necessary, to carry out the provisions of this Act, to be disbursed by the Secretary of the Senate on vouchers signed by the Chairman or Vice Chairman.

SECTION 7. The Employment Act of 1946 is hereby repealed.