“The Modern Corporation and Private Property by Berle and Means: the Martial Roots of a Stakeholder Model of Corporate Governance”

ABSTRACT: Our paper explores how a seminal text influenced corporate governance systems in the United States and abroad. The Modern Corporation and Private Property by Adolf Berle and Gardiner Means (1932) remains one of the most cited works in management. Unfortunately, the radical political vision that informed this book has been ignored or forgotten by the vast majority of management academics who now cite this book. Our paper shows that Berle and Means espoused a stakeholder theory of corporate governance that challenged the idea that the sole purpose of a corporation is to create value for the shareholders. Whereas shareholder value ideology was dominant in the United States in the 1920s, the nation’s corporate governance system moved towards a stakeholder model during the New Deal. We argue that the influential text by Berle and Means contributed to this shift. Our paper, which is based on archival research in the Franklin Delano Roosevelt Presidential Library, explores the cultural shifts that shaped how US companies have historically defined success, treated their workers, and influenced inequality in society. Our paper examines why Berle and Means choose to present a stakeholder theory of corporate governance in this text, which was written between 1928 and 1931. The paper then discusses the reception of the ideas of Berle and Means and documents how their theory came to influence how many US corporations allocated resources among different stakeholders. We suggest, somewhat tentatively, that the ideas of Berle and Means prompted corporate managers to behave in ways that contributed to the relatively low levels of income inequality that prevailed in the United States between the New Deal and approximately 1980. The paper documents how political cultural shifts in the 1970s undermined the popularity of the idea of Berle and Means and promoted a revival of shareholder value ideology. In advancing our explanation for the rise and fall the Berle-Means variant of stakeholder theory, we relate their ideas to United States cultural, political, and military history. We suggest that the same cultural shifts that contributed to the re-emergence of shareholder value ideology in the 1970s were connected to neo-liberalism and the post-1980 growth in economic inequality in the United States. In addition to being informed by the research of business historians such as Lazonick and O’Sullivan (2000), our paper is also informed by the current debates about the relationship between national cultures of corporate governance and the comparative levels of inequality in various advanced economies (Piketty, 2014; Cobb, 2015; Atkinson, 2015).

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Introduction

This paper will advance our understanding of the evolution of US ideologies of corporate governance by examining the circumstances that surrounded the writing of *The Modern Corporation and Private Property* by Adolf Berle and Gardiner Means. Other researchers (Martin, 2011, Stout, 2012, Wells, 2013) have argued that this influential book promoted “managerialism,” the philosophy of corporate governance that dominated US business life from the 1930s to the 1970s. Managerialism held that executives should take the interests of a wide range of stakeholders, not just shareholders, into account when formulating the strategies of firms. According to these researchers, managerialism encouraged managers to share the benefits of rising productivity with workers, which contributed to the relatively egalitarian distribution of incomes in post-war America. The post-1970s rise in levels of income inequality in the United States was, according to Martin (2011) and Stout (2012), connected to the displacement of managerialism by the rival ideology of shareholder value, which remains hegemonic at the time of our writing.

The existing literature on the rise and fall of managerialism has established the importance of *The Modern Corporation and Private Property* in shaping US business in the decades after 1932. Unfortunately, these authors have not examined the immediate context in which Berle and Means wrote their seminal text. We argue that looking at the authors’ background and motivations helps us to understand the relationship between the Berle- Means philosophy of corporate governance and their wider social context. This paper will argue that the stakeholder model of corporate governance presented in their 1932 book was influenced by the experience that Berle and Means had with the militarization of US society during the First World War. We maintain that their book represents an attempt to introduce into the business world the ethos of professionalism and disinterested public service that
characterized the US Army’s officer corp. In modern professional armies, the dominant ethos is one of altruism and devotion to the national interest: individuals are expected to selflessly serve the national interest at modest rates of pay. In the peacetime private sector, in contrast, the profit motive is accepted and prevailing ethos holds that it is legitimate for executives, shareholders, and other actors to maximize their own economic interest. We argue that *The Modern Corporation and Private Property* was an exhortation to American managers to emulate the ethos of military officers by putting country before self and prioritizing the interests of the nation over those of shareholders and executives.

There has long been a two-way exchange of ideas between the corporate world and the military. At various points in its history, the military has borrowed organizational techniques developed by managers in the private sector. For instance, managerial techniques developed by railway managers were used to coordinate Allied supply lines on the Western Front during the First World War (Phillips, 2015). Similarly, military culture and military managerial innovations have influenced private companies. The influence of the military on the history of American management is a theme that was developed by Hoskin and Macve (1988) in their study of the business careers of West Point graduates. These authors demonstrated that former officers brought military organizational techniques into the private sector. The impact of militarization and the military ethos on the evolution of US corporate governance remains, however, an under-researched topic. In his study of how managerialism was displaced by shareholder value ideology, Cheffins asserts that the formative experience of military service during the Second World War influenced the behaviour of corporate executives in the 1950s and 1960. He write that the common experience of military service (Cheffins, 2015, 723) was one of the ‘factors helped to keep top management on the straight and narrow during the managerial capitalism era… Values such as duty, honesty, service, and
responsibility that were fostered under the testing conditions of the Great Depression and World War II likely contributed to a sense of moral restraint among mid-twentieth-century executives.’ Unfortunately, Cheffins did not develop this insight, which was supported primarily by a citation of Sobel’s (2000) celebratory history of the ‘greatest generation’, further. Cheffins is careful not to romanticize US corporate governance in the managerialist era, noting that executives of this generalization were responsible for such debacles as the bankruptcy of the Penn Central in 1970. He points out that such managerial failures ultimately served to discredit managerialism and thus pave the way for the rise of shareholder-value ideology. Like Cheffins, we hold that while corporate governance in the managerialist era was highly imperfect, academics and practitioners concerned about corporate governance in the present can learn from studying this era, and the thought leaders who laid the foundations of the era of managerialism.

Cheffins’s assumption that prior military service would make a corporate manager more committed to serving the general welfare than would otherwise be the case needs further refinement. We would regard it as a serious fallacy to maintain that just because an executive once served in uniform of some military force, he or she will be more likely to adopt an ethos of public service in subsequent business life than would have been without this military experience. In our view, the crucial variable is the ethos that pervades the organizational culture of the particular military organization in which they were socialised. In our view, military organizations can be placed on a spectrum that extends from those that operate on a pure version of agency theory to ones in which an altruistic desire to serve the collective (e.g., the nation-state) is assumed to be the motive of all members. Most national militaries have occupied different points on this spectrum and use a mixture of material rewards (e.g., cash bonus) and patriotic appeals to serve the nation to motivate officers and
enlisted men to exert themselves. The Royal Navy in the age of sail and the British Army in the era of purchased commissions are outstanding historical examples of armed forces that relied heavily on financial incentives in the course of motivating their multinational workforces to perform risky tasks (Allen, 2005; Benjamin & Thornberg, 2007). Mercenary armies that sell their services in a competitive market are another. In the present day, for-profit military companies such as Blackwater also rely on financial incentives rather than patriotism to motivate members (Mahoney, 2017). Over time, the cultures of armed forces have been shifted thanks to changes in technology and to the efforts of military reformers who sought to change the incentive structure and the associated moral code. For instance, in the aftermath of the French Revolution, many countries abandoned the use of mercenaries and financial incentives for enlistment and performance in favour of appeals based on patriotism (Crowder, 1920, 48; Duffy, 2005, 55-56, 61-63, 224). By the time Berle and Means were inducted into the US military in 1917, a generation of military reformers had effected a dramatic change in US military culture along these lines. One of the results of this shift was that US military recruitment in the First World War did not rely on cash incentives, in sharp contrast to the American Civil War, when military work had been structured via a quasi-market whereby rich men were able to pay poor men to take their places (Kennedy, 1980, 152). Contemporaries observed that there had been shift in the ethos that underpinned US military enlistment (Crowder, 1920, 88-90).
Table 1. Typology of Military Organizations and Business Corporations by Prevailing Ethos

<table>
<thead>
<tr>
<th>Military Organizations</th>
<th>Business Corporations</th>
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<tr>
<td>Pursuit of Self-Interest is Regarded an Entirely Legitimate</td>
<td>Blackwater</td>
</tr>
<tr>
<td>Institutions are Informed by Agency Theory, Use of Financial Incentives</td>
<td>Royal Navy in the Age of Sail Early Modern Regiments</td>
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<tr>
<td>Service to the Community is Regarded as Morally Superior Motive to Economic Self-Interest</td>
<td>Most large public corporations in the United States prior to 1930</td>
</tr>
<tr>
<td>Good Behaviour is Encouraged with Non-Economic Rewards (e.g., medals or special titles)</td>
<td>Most large public corporations in the United States since 1980s</td>
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<tr>
<td>Prussian Army after 1808</td>
<td>US public corporations in the age of managerialism (1933 to c. 1980)</td>
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<tr>
<td>US Military after late 19th century</td>
<td>Many German and Japanese companies today</td>
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There are many differences between our time and the context in which Berle and Means wrote. One of these differences is that the managerial revolution (i.e., the transformation of the American economy by the rise of the large oligopolistic corporations managed by non-proprietor managers) was then a very recent phenomenon, having only just been completed (Chandler, 1977; Lazonick, 2012, 9). Berle and Means wrote, in part to document this recent transformation of the economy. Today, we are used to the dominance of many industries by such firms. We are nevertheless convinced that the ideas of Berle and Means are highly relevant to today’s debates about inequality, corporate governance, and the relationship between firms and nation-states. There ideas are relevant because they tackled what is arguably the most important question in corporate governance: whose interests should for-profit corporations serve, the shareholders only or other stakeholders as well? At a time when many people around the world are once again debating issues related to corporate governance, executive compensation, and whether managers have duties beyond maximizing returns for shareholders (Veldman et al., 2016), we believe that an exploration of the historical origins of Berle and Means’s 1932 text is timely.

Our re-interpretation of *The Modern Corporation and Private Property* is intended to help us reappraise recent trends in Anglo-American corporate governance and to relate these trends to current debates about income and wealth inequality in Anglo-American societies. The issue of income inequality that has been raised by academic authors such as Stiglitz (2015), Piketty and Saez (2006), and Krugman (2009), political actors, and even business leaders such as Warren Buffet. The aforementioned academic authors have noted that while the overall level of economic inequality in the United States fell in the 1930s and 1940s and
then remained fairly constant, inequality has increased significantly since the late 1970s. Income and wealth inequality in the United States is now at least as high as it was in the 1920s, the decade in which the writing of *The Modern Corporation and Private Property* began. Since the 1990s, the complex reasons for the rise, fall, and rise of inequality in the United States have been debated extensively by economists and economic historians (Gordon and Dew-Becker, 2008). Corporate governance systems have recently been integrated into the academic conversation about the causes of rising inequality. Cobb (2015) has explored some of the possible mechanisms by which differences in national systems of corporate governance may translate into variations in the overall level of inequality seen in various developed economies. Cobb’s perspective is congruent with that of Atkinson (2015, 124-5), who links the post-1980 increase in economic inequality in the English-speaking countries to the way in which most Anglo-American firms govern themselves and measure success. Atkinson notes that economies in which the dominant variant of capitalism embodies the stakeholder theory of corporate governance have not witnessed a similar increase in measurable inequality.

**Theoretical Assumptions and Methodology**

Our paper is a contribution to the growing body of research on the long-term evolution of managerial ideologies (McCann, Hassard, and Morris, 2004; Lukka and Partanen, 2014). Our approach to understanding the relationship between ideas and material interests is similar to that of John Maynard Keynes, who wrote in 1936 that “the ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood.” Keynes observed that practical people who believe themselves to be immune to the influence of ideology are often the unwitting followers of “some defunct
economist” (Keynes, 1936, 383-4). Sumantra Ghoshal echoed Keynes’s insight in his essay on the pernicious social consequences of some of theories that management schools teach to future business executives in the Anglo-Saxon economies. Ghoshal was particularly critical of agency theory and the belief that the sole function of a company is to make money for its shareholders (Ghoshal, 2005).

The best method of investigating the evolution of ideas continues to be contested (Wickberg, 2001; Clarke, 2013). In designing the intellectual-historical elements of the research project presented in this paper, the authors had to choose between textualist, contextualist, or biographical approaches. A textualist approach involves the close reading of a text or a small number of texts produced by one of the canonical figures in the history of the intellectual tradition being considered. In sharp contrast to the textualist approach, contextualist research focuses less on the leading or famous thinkers than on “the more general social and intellectual matrix” in which a given ideology evolved (Skinner, 1978, xi). The biographical approach involves looking at other documents produced around the time of the seminal text’s writing to gain a better understanding of the author’s motives for writing the book in the first place. Biographical approaches are particularly appropriate when the personal correspondence of the creators of an important text have survived and are available to researches. Source availability has allowed us to adopt a biographical approach to understanding the motives of the authors of *The Modern Corporation and Private Property*.

Adolf Augustus Berle was the lead author on *The Modern Corporation and Private Property* although the research assistant Gardiner Coit Means was listed with equal prominence on the book’s front cover. Berle’s surviving correspondence is held at the Franklin D. Roosevelt Presidential Library in Hyde Park, New York. We accessed these sources in the summer of 2015. Prior to this field research, our understanding of the strengths and limitations of archival research was developed by several recent methodological papers.
(Kipping, Wadhani, and Bucheli, 2014; Rowlinson, Hassard, and Decker, 2014). In using
our archival materials, we remained conscious of Popp and Fellman’s observation (2014) that
the scholar who uses an archive does not visit a neutral repository of everything a historical
actor has created, as a variety of individuals, beginning with document creator, have made
editorial decisions about which materials were to be saved for posterity. In addition to
reading Berle’s correspondence, we also used a transcript of an interview of Berle that was
done by the Columbia Oral History Project between December 1969 and January 1970. We
have also drawn on a scholarly biography of Berle (Schwarz, 1987). Whenever possible, we
have sought to triangulate archival sources with corroborating primary sources. As Kipping,
Wadhani and Bucheli (2014, 316-319) note in their paper on business-historical research
methodologies, triangulation helps researchers to reduce bias and produce more robust
research findings.

Our use of these sources allowed us to refine our understanding of Berle and Means’s
motivations for writing their book. Our initial working hypothesis was that the book was
written largely a response to the Great Depression. Our research forced us to revise this
hypothesis since we discovered that the book was conceived well before the 1929 Crash. Our
archival research also helped us to develop our understanding of the book’s reception,
particularly the effort to suppress its publication by unnamed individuals at General Motors.
This part of our research led us to challenge Marens’s view (2013) that the book represented
an attempt to defend the existing economic status quo in the United States. Our archival
research strengthened our appreciation of the social radicalism of this text, and of its
relevance to the present-day debates about corporate governance.
The Background of *The Modern Corporation and Private Property*

In 1992, a distinguished legal academic noted that *The Modern Corporation and Private Property* shaped the thinking of “an entire generation” (Horowitz, 1992 166-7). It remains influential. No less than eleven English-language editions of the book were published between 1991 and 2013 (WorldCat, 2015). *The Modern Corporation and Private Property* continues to influence many areas of American life. For instance, in the period between 1996 and 2016, Berle and Means’s 1932 book was mentioned at least eight times in the pages of the *New York Times* (New York Times Digital Archive). The Westlaw JLR database (2016) reveals that *The Modern Corporation and Private Property* was cited in twenty US court rulings since 1933 and in a large number of amicus briefs and expert testimonials (most recently in 2015). The fact citations to it continue to appear in court documents is a sign that the book remains relevant to the lawyers and judges involved in the corporate governance system. The book also continues to shape the thinking of legislators: during the Congressional debates on Enron, the book was quoted at length by Senator Ernest Hollings (Congressional Record, 2002).

The book also continues to be cited by academics in disciplines ranging from law to sociology to finance. The economists who have cited the book include such Nobel Laureates as Fama (1980), Shiller (2013, 121), and Williamson (1985, 299). Berle and Means’s analysis remains highly influential in business schools, as Collison et al. note (2011, 396). The book remains one of the most frequently cited works in management studies: in the first half of 2015 alone, the book was cited 694 times in Google Scholar. We would add here that not all
of the academics who cite Berle and Means appear to have grasped that these authors were arguing in favour of a stakeholder orientation rather than a shareholder one. For instance, a recent paper explored the differences between German and Anglo-American corporate governance referred to ‘Berle’s famous claim for shareholder orientation’ (Bottenberg et al., 2016, 3). The reality was that Berle and Means advocated that US firms shift away from the shareholder orientation that has been dominant towards a stakeholder orientation.

Despite the evident foundational importance of *The Modern Corporation and Private Property* to many academics and non-academics, very few academics have examined the genesis of this crucial text, although the affinities between the ideas of Means and those of Thorstein Veblen, the iconoclastic institutionalist economist have been established (O’Keefe, 2010). One of the few works to discuss the authorial motivation for and immediate impact of the book is the Marxist scholar Marens. Marens (2013, 456) regards the publication of *The Modern Corporation and Private Property* as part of a broader Corporate Social Responsibility movement that was, in his view, a tactic used by the American corporate elite to preserve its autonomy in the face of increased labour militancy and growing demands for government regulation in the context of the Great Depression.

We profoundly disagree with Marens’s contention that *The Modern Corporation and Private Property* and “business liberalism” more generally was simply a defensive move by US corporations to pre-empt demands for more radical economic reforms in Depression-era America. First, Marens overlooks the fact Berle and Means had an interest in the social responsibilities of corporate managers that predates American capitalism’s existential crisis in the winter of 1932-3. The chronology of the manuscript’s composition does not fit Marens’s
argument, since we know from Berle’s papers that the book existed in typescript well before this point. Moreover, it is inaccurate to describe Berle and Means as the tools of the corporate elite when powerful business interests actually attempted to suppress the publication of this book. We are much more sympathetic to Christiansen’s view (2015, 63) that Berle and Means’s advocacy of a “socialized, public-oriented corporation” was a profound challenge to the ethos of “free-market liberalism”. Christiansen made this observation in passing in a monograph on the intellectual history of US business. However, we find little interpretative value in Christiansen’s claim, which is taken from (Brick, 2006, 56), that *The Modern Corporation* was informed by an intellectual tradition that Brick and Christiansen call “socioeconomics.” Their frustratingly vague term “socioeconomics,” which apparently embraces such disparate left-wing thinkers as Thorstein Veblen, Margaret Mead, Rudolf Hilferding, and Upton Sinclair, is, in our view, not helpful in identifying the specific US and European authors who influenced how Berle and Means thought about corporate governance. We do, however, agree with Brick’s view that there are some affinities between the stakeholder view presented by the Berle and Means and the “war-inspired aspirations” for “industrial or economic democracy” that led to the creation of the “League for Industrial Democracy” in 1921 (Brick, 2006, 56, 62). Indeed, the legacy of the Great War is crucial to our understanding of the book’s origins.

When compared against either the shareholder-centric theory that informed the court’s 1919 decision in *Dodge v. Ford Motor Company* or the shareholder-centric view of the corporation that has dominated American managerial practice and corporate law since approximately 1980, the radicalism of the 1932 book by Berle and Means becomes evident. We therefore agree with the view of Freeman et al. (2010, 50), that Adolf Berle advanced an
important precursor of the stakeholder theory of corporate governance. The communitarian ethos that underpins the stakeholder model of Berle and Means is seen in this passage:

This third alternative offers a wholly new concept of corporate activity. Neither the claims of ownership nor those of control can stand against the paramount interests of the community. . . . Should the corporate leaders, for example, set forth a program comprising **fair wages, security to employees, reasonable service to their public,** and stabilization of business, all of which would divert a portion of the profits from the owners of passive property, and should the community generally accept such a scheme as a logical and human solution of industrial difficulties, the interests of passive property owners would have to give way . . . It is conceivable—indeed it seems almost essential if the corporate system is to survive—that the “control” of the great corporations should develop into a purely neutral technocracy, balancing a variety of claims by various groups in the community and assigning to each a portion of the income stream on the basis of **public policy rather than private cupidity** (Berle and Means, 1933, 356, emphasis added).

It is tempting to attribute the radicalism of this book to the fact it was released in early 1933. This point in time, which corresponds to the lame-duck period in the presidency of Herbert Hoover, is generally regarded as the very trough of the Great Depression. American capitalism indeed faced an existential crisis in early 1933, when the power vacuum in Washington caused much of the banking system to collapse, with some localities reverting to improvised local currencies and even “barter” (Friedman and Schwarz, 1963, 322).

Unemployment soared to unprecedented levels and industry was paralyzed. Berle and Means wrote the manuscript of *The Modern Corporation and Private Property* well before this point, in the period 1927 to 1931. As late as the end of 1930, many observers still thought that the recent Wall Street equities crash would have a limited impact on the real economy, a widespread and false belief made possible by the poor state of macroeconomic data in that era (Friedman, 2013). Until the *Creditanstalt* crisis of May 1931, it was not clear to contemporaries that the United States was heading for a severe crisis rather than simply a mild recession. Thus, when Berle and Means were composing their book, the country had not yet reached a crisis that undermined the legitimacy of capitalism itself.
Rather than seeing the book as primarily a response to the Crash of 1929, we argue that the thinking of Berle and Means was profoundly influenced by the militarization of US society during the Great War; indeed the co-authors first met during their basic military training in 1917 (Kennedy, 1980). As Capozzola has noted, World War I had a profound impact on American culture and thinking about the nature of the individual’s obligation to the collective: the 1917 Selective Service Act was the “centrepiece” of obligations associated with citizenship during wartime (Capazzola, 2008, 21). In 1916, the United States, which had traditionally spent little on its military relative to other Western countries (Ekirch, 1972), suddenly began allocating massive resources to the military, paving the way for the nation’s eventual transformation into a military superpower. By many metrics, the United States in 1914 was a relatively demilitarized society. Within a few years, the armed forces had developed a pervasive role in national life that endures to this day (Higgs, 1989, 22, 79-81, 129-30). Military themes run through their 1932 magnum opus as Berle and Means attempted to extend to the business world the ethos of professionalism and disinterested public service that had earlier come to inform the thinking of members of the United States Army officer corps. This professional ethos had become dominant in the officer corps over the course of the nineteenth century thanks to a series of US military reformers who were, in turn, inspired by the professionalism of the French and Prussian officer classes (Millett and Maslowski, 2012, 133-7). The officer corps of France and Prussia were among the first in the Western world to experience professionalization and the demise of the older model of military leadership in which the profit motive had been considered legitimate (Duffy, 2005, 55-56, 61-63, 224). In thinking about how the ideology of selfless national service diffused from one national military to another and then from the US military into the US business community, it is helpful to draw on the research in organization studies and management showing that
“institutional isomorphism” (see Powell & DiMaggio, 2012) can be an effective strategy for organizational legitimation (Deeplease, 1996).

Much of the existing literature on the relationship between ideology, business culture, and the distribution of incomes within firms associates the ideology of “shareholder value” with the United States, while firms in continental Europe and Japan are said to operate on the basis of various stakeholder theories of corporate governance (Fiss and Zajac, 2004; Deeg and Jackson, 2007). This global pattern is actually rather novel: prior to the shift in US business culture that took place after 1976, the variant of the stakeholder model associated with Berle and Means was dominant in that country, as Stout (2012) has persuasively argued. According to Stout, in the half century that followed the publication of The Modern Corporation and Private Property, the decision-makers in “public corporations embraced a philosophy that has been called ‘managerial capitalism’ or ‘managerialism.’” In practice, this philosophy meant that executives worked for relatively modest salaries, owned little stock, and did not see “themselves as mere agents of shareholders, corporate directors and professional executives.” American business executives saw “themselves as stewards or trustees charged with guiding a vital social and economic institution in the interests of a wide range of beneficiaries. Certainly they looked out for investors’ interests, but they looked out for the interests of employees, customers, and the nation as well” (Stout, 2012, 1171).

Our understanding of the social context of Berle and Means has been informed by the work of Khurana (2007, 296-8), who argues that the managerialist philosophy that animated early twentieth century American business reformers and educators was deeply rooted in two American institutions: the socially-reformist version of Christianity taught in the mainline
Protestant denominations and the US military. A variant of liberal Protestantism later drove some Progressives to seek to replace the chaos of the unregulated market with a social order in which disinterested experts such as medical doctors and civil servants displaced the profit-motive in the allocation of scarce resources. This elitist and utopian ideology, which was connected to movements such as alcohol prohibition and eugenics, informed the creation of the Harvard Business School in 1908 and the move to make management into a profession, curated by insider gatekeepers, similar to medicine and the law.

Khurana also compares the ideologies that have been taught in elite US business schools in various historical periods with the professional ethos that has consistently been cultivated by the United States Military Academy at West Point since 1802. References to financial incentives are conspicuously absent from the motto of West Point, which is “Duty, Honor, Country.” In the officer corps of the United States, and other modern nation-states, honour is defined in relation to public service. The military ethos is diametrically opposed to the rational-actor model and agency theory, the theories of human behaviour that have been dominant in business schools since the late 1970s. Army officers who dedicate themselves to the profession of arms do not do so for material reasons, although they do expect that their families will enjoy a comfortable, middle-class existence. For instance, there are no cash performance bonuses or stock options for dragging a wounded comrade to safety. Instead, a radically non-commercial ethos based on non-financial rewards such as the Iron Cross, the Victoria Cross, and Congressional Medal of Honor shapes the culture of the military in modern nation-states.

Our reading of The Modern Corporation and Private Property has not revealed the impress of the liberal Protestant ideas discussed by Khurana. However, we do find frequent references to war and militarization. The variant of the stakeholder model of capitalism advocated by Berle and Means was congruent with the modern military ethos because it held
that the key decision-makers in business organizations should be motivated by the public interest not personal financial gain. Moreover, their version of stakeholder capitalism paralleled the military in that it did not provide for German-style co-determination (i.e., board-level representation of workers). In the ideal company envisioned by Berle and Means, professional expert managers would act paternalistically on behalf of other stakeholders rather than sharing power with them. In other words, they were arguing for the extension of the paternalistic ethos of the officer corps into the prevailing ideology of corporate governance.

**The Making of The Modern Corporation and Private Property**

The son of a Boston minister, born in 1895, Berle did AB and MA degrees at Harvard College before entering Harvard Law School in 1914. The United States did not enter the war until April 1917, but American society was divided by the war as soon as it started in August 1914. These divisions were partially ethnic, with many German- and Irish-Americans opposing American entry into the conflict, but they are also related to region and social class, with many Anglophile upper-class New Englanders instinctively favouring the British from the outset. As Berle noted later:

> Most of all I didn’t like this war. I didn’t see any popular reason why the United States had to put all its energies into settling whether the Hohenzollerns dominated Europe or whether the French entrenched interests behind Clemenceau and so forth were to be the masters of Europe. This made me very unpopular in my undergraduate career. Harvard declared war in 1914, right off the bat. They had no interest in any other point of view, and I had a German name, inherited from my grandfather, so I was besought either to change my name or join in anti-German manifestos which I didn’t believe in, and the actual persecution, if you want to call it that, of anyone supposed to be pro-German at that time was as great or greater than the Joe McCarthy persecution of Communists. This was a rather bitter period (Columbia Oral History Transcript, 30).
Berle enlisted in 1917 despite his reservations about President Wilson’s decision to abandon neutrality by declaring war on Germany. He did his military training in Plattsburg, New York where he met Means, his future co-author. Gardiner Means came from a broadly similar social background. He was born in Connecticut in 1896, and came from a family influenced by religion since he father was a Congregationalist minister. Means was intellectually gifted and entered Harvard when he was eighteen to study chemistry. His academic career, like Berle’s was interrupted by wartime service. However, unlike Berle, Means narrowly escaped serious injury while attending aeronautics school (Means).

The site of their officer training was culturally significant, as the Plattsburg Barracks were the epicentre of the so-called “Plattsburg Movement,” a social movement that had begun in 1912. This movement sought to promote the altruistic moral ideals associated with military service among American businessmen: businessmen who were reserve officers would run their companies with the public interest rather than the profit motive in mind. Private donors who supported this ideal had funded a training camp for would-be officers in Plattsburg that was dubbed the “businessmen’s camp.” The key idea among the proponents of the Plattsburg Movement was that modern America was too selfish, too driven by the profit motive and that business leaders needed to give back to the community through unpaid military service on weekends and during the summer months.

By the time Berle and Means had enlisted, officer-training camps modelled on Plattsburg had been opened across the United States, thanks to the efforts of the General Leonard Wood, a military man with centre-left political views, and former President Theodore Roosevelt. In 1912, Roosevelt ran for the presidency as a third-party candidate on a so-called “New Nationalism” platform that included increased military spending and a
variety of progressive reforms that frightened the pro-business faction of the Republican Party (Milkis, 2009). Wood’s progressive beliefs, which brought him into conflict with US business interests during the military occupation of Cuba, informed his approach to military reform and left a lasting influence on US Army culture. US military men are often stereotyped as monolithically pro-business and politically conservative: Wood and his many allies in the Progressive-era armed forces help us to refute this common idea (Lane, 2009, 148, 262, 268).

Soon after he was commissioned, Berle was transferred into Intelligence and served in the Dominican Republic. He was then posted to the Versailles Peace Conference where he joined the American delegation as an aide to his former professor Robert Lord of Harvard (Columbia Oral History Transcript, 32-35). Berle’s “worm’s eye view” of the conference had a profound impact on him (Columbia Oral History Transcript, 42). He recounted how he was initially “carried away” by the idealism of Wilson’s Fourteen Points (Columbia Oral History Transcript, 40). At Versailles, Berle worked on a committee that focused on the new Baltic republics, and this led to him to meet John Maynard Keynes (Columbia Oral History Transcript, 43). The First World War and its aftermath also expanded the intellectual horizons of Means, who travelled to Turkey in connection with American aid efforts in the immediate postwar period. Here, he had the opportunity to observe how the trade in carpets was conducted in radically different cultural context. Means’s interest in this industry was connected to his private interests, as he established a carpet manufacturing company soon after his return to the United States. For Means, seeing the Turkish carpet trade was also an opportunity to reflect on the relationship between business practices and the social and cultural context in which business people were embedded (Means, 1999). After his return to the United States, Berle practiced corporate law, co-founded a law firm in 1924, and taught finance at Harvard Business School (HBS) from 1925 (Columbia Oral History Transcript,
Berle began published about corporate governance in *Columbia Law Review* and *Harvard Law Review*. His growing stature as an expert on corporations led the *Encyclopaedia Britannica* to ask him in 1928 to write the entry for “Corporation” in a new edition (Pitkin to Berle, 2 July 1928). In a May 1931 article in the *Harvard Law Review*, Berle summarized the legal nature of the fiduciary duty: the “powers granted… to the management of a corporation, or to any group within the corporation… are necessarily and at all times exercisable only for the rateable benefit of all the shareholders as their interest appears” (Berle, 1931, 1049).

Berle showed the existing case law held that corporations exist only to benefit shareholders, not other stakeholders. Berle (1931, 1061) noted that in the famous case of Dodge v. Ford Motor Company, the court had sided with the Dodge Brothers, two shareholders who wanted dividends to be maximized, and against Henry Ford, who believed that his company’s prosperity should be shared with other stakeholders, including the assembly line workers and “the general good of the community.”

Some contemporaries interpreted Berle’s 1931 description of the current law of the land as reflecting his normative beliefs about corporate management. For instance, in a critical response to Berle published in the May 1932 issue of the *Harvard Law Review*, Professor Edwin Merrick Dodd argued that current circumstances made it ill-advised for anyone to argue “that business corporations exist for the sole purpose of making profits for their stockholders” and they should discharge “a social service as well as a profit-making function” (Dodd, 1932, 1148). The reality was that the 1931 article by Berle was simply a summary of the existing law of the land rather an expression of his opinion about how companies ought to be run. The 1932 magnum opus by Berle and Means involved a shift on the part of Berle from simply describing the existing state of American corporate law to outlining a more radical and normative view of companies. This normative view, which clearly contradicted the existing case law, was a stakeholder theory of corporate governance.
Berle’s ideas about corporate governance were shaped by other Americans who were interested in limiting what they saw as the excessive selfishness of current business leaders. Berle’s earliest publications on corporations had brought him to the attention of William Ripley, the Harvard economics professor who had published Main Street and Wall Street in 1927. Ripley had, in turn, been influenced by Louis Brandeis’s 1914 book Other People’s Money and Thorstein Veblen’s 1923 book Absentee Ownership and Business Enterprise. Brandeis was a crusading lawyer who was appointed to the Supreme Court by President Wilson in 1916, while Veblen was an Institutionalist economist whose radical views had cost him several academic appointments. Drawing on the iconoclastic ideas of Veblen and Brandeis as well as his own research, Ripley identified a huge expansion in both the number and value of corporations since the war (Ripley, 1929, 16-40). In the 1920s, some progressive businessmen were moving away from shareholder primacy towards the view that managers ought to consider the interests of other stakeholders. For instance, this idea was endorsed by Robert Brookings, a businessman and philanthropist (Brookings, 1925, 75-80). Owen Young, first chairman of the Radio Corporation of America (RCA), said in a 1927 Harvard Business School address that “I hope the day may come when these great business organizations will truly belong to the men who are giving their lives and their efforts to them. I care not in what capacity” (Young, 1927). Although we cannot document their presence at Young’s lecture, Berle and Means were likely aware of his ideas. Berle and Means was thus part of a community of scholars and practitioners who were interested in challenging the idea that the primary or sole purpose of a corporation was to maximize the return on the shareholders’ investment.

Ripley was involved with the Social Science Research Council and the Laura Spelman Rockefeller Foundation. He helped Berle to submit a proposal to study corporations, which resulted in a $7,000 grant (Columbia Oral History Transcript, 117). Berle left his part-
time teaching job at Harvard Law School in fall 1927, taking his grant to Columbia (Columbia Oral History Transcript, 119). This was a period when the Columbia University Law School was increasingly focused on business organization (Here Berle recruited his Plattsburg training camp “bunkmate” Gardiner Means, who was then doing a PhD at Harvard, as his research assistant (Columbia Oral History Transcript, 120). The research project, which took four years to complete (1927-1931), culminated in *The Modern Corporation and Private Property*. Berle said that he felt that Means should have his name on the title page “because he had contributed so much” (Columbia Oral History Transcript, 120).

The 1929 Wall Street crash happened partway through Berle’s research project. Although their offices were uptown at Columbia University, the business connections of Berle and Means meant that they were well positioned to observe both Wall Street’s reaction to the crisis and the ensuing national debate about the social function of corporate finance. Berle knew that the law firms that served Wall Street companies had intensely disliked Ripley’s book *Main Street and Wall Street*. Berle later recalled that the “established law firms”:

> Officially disapproved of it, and officially said so, but a good many of the men in them came to see me, came to see Ripley – that’s why he was invited to speak at the State Bar Association – to say, “Now it seems you have a point.” And some of them went as far as saying, “There is going to be a smash up here. Something has got to give. This has become far too dangerous (activity on Wall Street) for serious people” (Columbia Oral History Transcript, 127).

The initial reaction of Wall Street to the ideas of Berle and Means was also primarily negative. Berle recalled that the Corporation Trust Co. attempted to force their book’s original publisher, the Commerce Clearing House of Chicago, to “find some way of dumping it quietly” (Columbia Oral History Transcript, 124). The Corporation Trust Company, founded in 1892, owned the Commerce Clearing House, which published a range of business
books. He added that “it therefore came just this side of being suppressed by the then existent financial establishment.” Berle also recalled in 1969 that “though we didn’t know it then, we were pounding out the principles which later became principles on which the Securities and Exchange Legislation enforced today is based.” The (Columbia Oral History Transcript, 124). An unnamed individual at GM – perhaps chairman Alfred Sloan – read a summary of *The Modern Corporation and Private Property* and was deeply offended (Hessen, 1983, 280; Farber, 2002, 232-3). The Corporation Trust Co., fearing the loss of GM’s business, attempted to suppress the book. Luckily for Berle and Means, the staff of the Commerce Clearing House did not destroy the publishing plates and instead sold them to Macmillan and Company, which re-published the book in February 1933.¹

*The Modern Corporation and Private Property* may have infuriated many on Wall Street, but it was critically praised within the academic community. The political scientist George Ward Stocking (1933) wrote that Berle and Means had “rendered a service to the science of economics which no economist can afford to overlook.” The legal academic Jerome Frank (1933) prophesised that the book “will perhaps rank with Adam Smith’s *Wealth of Nations.*” The book raised Berle’s profile, bringing him into contact with New York State Governor Franklin D. Roosevelt, who was just about to become President. There is no archival evidence that Franklin Roosevelt personally read *The Modern Corporation and Private Property* (Rosenof, 1997, 17). Nonetheless, Berle became part of Roosevelt’s Brains Trust (Farber, 2003, 232) and provided the President with advice about finance (Roosevelt to Berle, 23 April 1934) and banking reform (Roosevelt to Berle, 13 September 1934). Berle also advised FDR Labour Secretary Frances Perkins (Berle to Perkins, 24 May 1935). Means’s contribution to the New Deal came largely as a result of his work as an advisor to Agriculture Secretary Henry A. Wallace and in other government departments. In 1936,

¹ We have cited page numbers in the 1933 version of the book.
Means published *The Modern Economy in Action*, a book co-authored with his wife, the historian Caroline F. Ware. This work, which distinguished the “new economy” dominated by large corporations from America’s historic “old economy” based on free enterprise (Ware and Means, 1936, 141) re-iterated the argument of Berle and Means that the rise of the large corporation had represented a revolutionary change in the US economy.

**Evidence of the Influence of Military-Derived Ideas on the Thinking of Berle and Means**

There are frequent references to warfare and its socio-economic impact in *The Modern Corporation and Private Property*. For instance, the authors refer to the impact of the outbreak of the European war in 1914 on American steel companies in the course of discussing the obligation of corporations to disclose information to investors (Berle and Means, 1933, 323). The authors also discuss how wealthy Americans attempted to shield their dividend incomes in response to the “heavy surtaxes on large incomes during the war and the post-war period.” The war, they argue, helped to democratize the ownership of corporate stocks, which previously had been owned by a small group of wealthy Americans. Although Berle and Means were open to the possibility that the advent of mass shareholding during the war might be reversed in the future, they said it was possible that it represented a “permanent change in the ownership of industrial wealth comparable to the shift in landownership which was an outgrowth of the French Revolution” (Berle and Means, 1933, 62).
The references to the Great War in the *Modern Corporation and Private Property* are not surprising, for we know that the conflict did indeed make share ownership more dispersed, as Julia Ott has recently demonstrated (Ott, 2011). During the war, the federal income tax, which had been introduced in 1913 following the ratification of the Sixteenth Amendment, became significantly more progressive. To maintain the support of union leaders such as Samuel L. Gompers for military conscription, the Wilson administration had agreed to an excess profits tax that effectively conscripted wealth. In the United States, as in wartime Europe, military conscription on a massive scale resulted in the introduction of progressive forms of taxation that ensured that older wealthy men shared the burden with the young and physically fit men who were compelled to join the military: as Scheve & Stasavage, (2016) have observed in their study of Western tax regimes since 1900, progressive taxation and the militarization of societies tend to go hand in hand. Mollan and Tennent (2015) point to the ways that British international companies explicitly changed their strategies to deal with this. Extensive regulations were introduced during the war and publicly-owned companies were created. Moreover, wartime rhetoric disparaged profit-seeking in favour of patriotism: wealthy industrialists who were too old to serve in uniform agreed to serve in the public sector as “Dollar A Year Men,” while wealthy investors were implored to invest in low-yield government securities during war bond drives (Kennedy, 1980, 132-3, 252-6). In other words, the pursuit of economic self-interest was to suspended for the duration of hostilities. In discussing the popularity of the service ideal in American society in this era, David M. Kennedy notes that “few words were so widely bruited in American society in the World War I era as ‘service’… the wide currency of the term ‘service’ reflected the… historical phase through which American society was then

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2 Scheve and Stasavage (2016) connect the end of conscription and the de-militarization of European and North American societies in recent decades with the concurrent trend towards making tax systems less progressive. In the early 1970s, the neoliberal economist Milton Friedman was a prominent advocate of the end of conscription in the United States.
passing…” Contemporaries ranging from Walter Lippman to Herbert Hoover believed that the country was “negotiating a passage between individualistic and collective era” (Kennedy, 1980, 153).

The United States was at war with Germany for just eighteen months and lost relatively few soldiers. While US battlefield casualties were light, the economic impact of the war was significant. The transformative impact of the Great War on American business helps to explain why Berle and Means discussed it frequently in a book published fourteen years after the armistice. Furthermore, the war years witnessed Dodge v Ford Motor Company, in which Ford’s shareholders sued on the grounds of insufficient dividends. This court case, which was discussed by Berle in his 1931 article and again in the book (Berle and Means, 1933, 190, 261), prompted reflection about whether the non-shareholder stakeholders had a moral claim to the share of the profits made by corporations. Henry Ford had attempted to run his company in keeping with a variant of a stakeholder theory of corporate governance, albeit one that saw no role for organized labour, but the courts ruled that this was a breach of Ford’s fiduciary duty to his shareholders (Henderson, 2007; Stout, 2008).

Berle and Means analogize business activity with military service in the course of arguing against economic individualism and the “individual liberty” advocated by Adam Smith. They remarked that whereas the enterprises of Smith’s era consisted of “an individual or a few partners… today we have tens and hundreds of thousands of owners, of workers, and of consumers combined in single enterprises.” The rise of these large organizations meant that “individual initiative” would largely disappear: “the idea that an army operates on the basis of rugged individualism would be ludicrous. Equally so is the same idea with respect to the modern corporation” (Berle and Means, 1933, 349). Berle and Means had realised that the corporation was not just an economic institution, but also a social one, embodying a wide
range of interpersonal relationships contextualised by power, in a similar fashion to the military.

Berle and Means’s ideas about the social function of the company were also influenced by a German book published in late 1918 (Berle and Means, 1933, 352). In Von Kommenden Dingen, the German industrialist and politician Walter Rathenau had argued that the rise of the large corporation had transformed business “into an institution which resembles the state in character.” Rathenau, who was an executive of the German electrical goods firm AEG and the founder of a moderate centre-left political party, advocated giving workers representation on corporate boards, a reform actually introduced during the Weimar Republic and later re-introduced in West Germany (Volkov, 2012, 136). Berle and Means adapted Rathenau’s ideas and applied them to the American context, albeit without the idea of worker representation on corporate boards. In essence, Berle and Means thought that the managers of US companies could be trusted to take the interests of workers and other non-shareholders into account without worker representation. Berle and Means introduced this idea so effectively that it replaced the earlier corporate personality that the existence of an organization made it a legal person, itself an importation from Germany (Harris, 2006:1477).

The Book in the Post-War Era

Berle continued to promote The Modern Corporation and Private Property decades after it was published, and he appears never to have never declined a request to translate the book into another language. For instance, in 1951 Berle received a letter from Professor Haruzo Kaneko, who wanted to publish a Japanese translation. Kaneko informed Berle that the book had been read in Japan since it first appeared and that a Japanese edition would increase its impact in that country (Kaneko to Berle, 25 June 1951). Berle authorized a translation. He
also worked to ensure that the book remained in print the United States. In 1966, Berle concluded that Macmillan was going to allow the book to go out of print (Marek to Berle, 28 March 1966). He responded by transferring copyright to Harcourt Brace & Company, which soon released a new edition with a preface by John Kenneth Galbraith, a left-wing economist.

The new edition of the book helped to perpetuate the ideas of Berle and Means. However, the stakeholder approach they advocated came under attack in the mid-1970s. Lazonick and O’Sullivan (2000) and Stout (2013, 1173) have argued that the ideology of shareholder value was developed in response to the post-1973 drop in corporate profitability by an alliance of business academics and institutional investors. The academics, who included Milton Friedman and Eugene Fama of Chicago, as well as Michael Jensen and William Meckling in Rochester, promoted the idea that the sole purpose of a company is to maximize shareholder value, as did the non-academic authors who coined and then popularized the phrase “corporate governance” in the mid-1970s (Millon, 2013, 1026). The increasing trend towards paying top executives primarily in stock options also contributed to a shift in the orientation of senior managers towards shareholder value. By the 1980s, managerialism had been largely displaced by shareholder value ideology, which was itself linked to various forms of neoliberalism. In other words, the shareholder value ideology that had dominated US business culture prior to c. 1932 had now been revived.

Neoliberalism came in a variety of forms, all of which celebrated the role of self-interested behaviour in driving social progress. The beginnings of the neoliberal counterrevolution has been dated to the first meeting of the Mont Pelerin Society in 1947 (Mirowski & Plehwe 2009; Phillips-Fein, 2010; Burgin, 2012). Adolf Berle was aware of this emerging intellectual current in the early 1950s, when he somewhat derisively commented that Friedrich Von Hayek’s was speaking of “primrose paths to perdition” when describing idea of a road to serfdom (Berle, 1954, 50). In addition to advocating a reduction
in the economic role of the state, the neoliberals associated with the University of Chicago have also tended to support a return to the shareholder value theory of the company, the ethos that had been dominant in the pre-1932 United States (Ferrero et al., 2014; Queen, 2015). Milton Friedman declared that the “one and only one social responsibility of business” was to make profits for shareholders (Friedman, 1962, 133) Although far fewer business and political leaders have openly identified themselves as followers of Ayn Rand, her absolutist defence of free markets and the pursuit of self-interest has had a well-documented influence on US business culture (Burns, 2009) and on the thinking of CEOs in industries ranging from energy (Coll, 2012, 334) to retail (Kimes, 2013). Rand wrote that each individual ought to pursue “his own rational self-interest, none sacrificing himself or others…This is the opposite of what the word “service” means” (Rand, 1963, 12). We would argue that Rand’s argument helped to legitimate the revival of shareholder value ideology in the 1970s and 1980s.

In 1982, the conservative Hoover Institution sponsored a conference to mark the fiftieth anniversary of the book. Berle died in 1971 but Means, the junior co-author, was able to travel to the event. It is not entirely clear whether the organizers of the conference knew in advance that Means continued to subscribe to New Deal ideas that were incompatible with the neo-liberal beliefs of the other conference participants. They gave Means the opportunity to speak, but he found that many conference attendees were hostile to the book’s critique of corporations. Means, by then an octogenarian, responded with a robust defence of the book’s central claims (Schwarz, 1987, 59). Like Berle, he had lead a causative life and pursued varied interests beyond academia including conservation, carpet making, and owning an interest in a sod company (Means, 1999).

Analysis
We interpret *The Modern Corporation and Private Property* as an attempt by the authors to introduce to the business world the ethos of disinterested public service that characterizes the officer corps of the United States military. Since the late 1970s, when the managerialist/stakeholder philosophy of Berle and Means was replaced by shareholder value ideology, “supermanagers” and shareholders have appropriated more of the value created, leaving a smaller proportion for ordinary workers (Piketty, 2014, 291). Our research suggests that a return to some variant of the managerialist philosophy of Berle and Means might change the distribution of incomes within firms in a fashion that would tend to reduce levels of economic inequality towards those that prevailing in the United States in the 1950s and 1960s.

Our paper has suggested the Berle and Means’s vision of corporate executives who altruistically serve the national interest was informed by the example of military officers who patriotically serve the national interest in return for modest salaries. We would therefore suggest that the managerialist/stakeholder philosophy of Berle and Means may have been undermined by the broader cultural shifts associated with the end of compulsory military service in the United States in 1974. The end of the draft was strongly supported by Milton Friedman and other neoliberals who wanted a more market-oriented, incentives-based approach to military recruitment (Krebs, 2009; Bailey, 2007). We believe that it is no coincidence that these same intellectuals were also proponents of the view that the sole function of a corporation is to maximize shareholder value. The neoliberal belief that firms should maximize profits as much as the law allows is fundamentally similar to the ethos that says that military service should be structured like any other employment market in which rational actors participate. The end of military conscription, which was a crucial early victory for the neoliberal project, (Cowen, 2006) can therefore be linked to the cultural trends that contributed to the rise of the ideology of shareholder value.
Conclusion

This paper suggests several avenues for future research. Scholars of comparative capitalism ought to investigate the extent to which the behaviour of managers in different countries is informed by ideas of corporate patriotism and how definitions of corporate patriotism vary depending on social context. Such research would allow us to identify the impress of culture and national identities on managerial decisions about balancing the interests of various stakeholders. In designing such research projects, selecting equivalent companies for comparison will be a tricky question since many other variables aside from different conceptions of corporate patriotism may be at work. In many varieties of capitalism, governments own equity stakes in firms of national significance: public ownership is a feature of many emerging-market multinationals and of some firms based in advanced economies (Cuervo-Cazurra et al., 2014; He et al., 2016). The existing research does clearly indicate that firms that are fully or partially owned by the state are managed differently than those without state shareholders. Regulation and trade union power also differs from one country to the next (Hall & Soskice, 2001). If we are to focus on how ideas about corporate patriotism influence managerial decision-making, research projects will need to compare similarly situated private companies rather than comparing taxpayer owned companies in one country with privately-owned companies in another.

Our paper suggests that we need more business-historical research on the international reception of the book by Berle and Means. As we have noted, the book was read in post-war Japan, but its exact impact on Japanese corporate culture and executive compensation norms
is currently unknown. The correspondence in the Berle papers we have viewed indicates that at least some people in 1950s Japan regarded the book’s message as extremely important, which is why the asked Berle for permission to have it translated into Japanese. Berle’s correspondence with Japanese people is silent, however, on how Japanese managers, regulators, and academics responded to the book’s ideas once the translation was in print. Academics who can read Japanese will be well-positioned to trace the impact of the book and to determine whether it contributed to the development of Japan’s distinctive corporate culture, which even today is characterised by such features as lifetime employment and relatively small gap between the wages of CEOs and average workers. Similar research on the impact of the French translation of the book could be undertaken by scholars familiar with French business histories. An abridged version of the book appeared in Paris in 1939 (Berle, 1939) and the ideas of Berle and Means were discussed in postwar France (Berle, 1957). A translation of Berle’s ideas appeared in West Germany (Berle, 1958) and it would be helpful to know how Germans responded to the ideas of Berle and Means, particularly those of that were different from that of Walter Rathenau, the German author who influenced their text. The key difference between Rathenau’s stakeholder theory and that of Berle and Means is that Rathenau advocated direct worker representation in corporate governance through works councils and board seats, whilst Berle and Means merely advocated that paternalistic and managers take the interests into consideration.

We currently know little about the extent to which *The Modern Corporation* influenced business systems outside of the United States. We also know very little about the more recent international diffusion of shareholder value ideology. As was shown above, Milton Friedman, Michael Jensen, and other neoliberals challenged the stakeholder model advanced by Berle and Means and insisted that the sole purpose of a corporation was to make
profits for its shareholders. Such arguments appear to have been persuasive in the United States in the 1970s and 1980s, as the culture of corporate governance in the US returned to the shareholder-focused orientation that had been hegemonic prior to the 1930s. It would be interesting to know how European and other non-US managers and business academics responded to the ideas that Jensen and Meckling in their 1976 paper, which was highly influential in its original US context. In the late 1990s, some US-based business academics concluded that globalization would inevitably mean that other countries would soon adopt US-style approaches to corporate governance (Hansmann & Kraakman, 2000).

It is fair to say that such predictions have been falsified: German (Fiss & Zajac, 2004; Jackson & Moerke, 2005) and Austrian (Meyer & Höllerer, 2010) firms have largely rejected the ideology of shareholder value and have adhered to the stakeholder model represented by the German system of co-determination. Worker representatives on German supervisory boards continue to exert real influence over managerial trade-offs between the interests of employees and shareholders that is reflected in the price of German corporate equities (Gorton & Schmid, 2000). In contrast, it appears that many Dutch companies have adopted the US-style shareholder-value ideology (Bezemer et al., 2015), although the reasons for why the Netherlands has followed the lead of the US rather than Germany have not yet, in our view, yet been fully explored. The UK and Canada, two countries that are culturally similar to the United States, are particularly interesting cases, as important actors in these nations have softened US-style shareholder value ideology by embracing the concept of “enlightened shareholder value”. This philosophy holds that managers have a duty to promote the interests of a hypothetical socially-conscious shareholder rather than a shareholder who is determined to maximize ROE at all costs. This approach has been endorsed by the UK’s 2006
Companies Act (Keay, 2012; Queen, 2015; Quinn, 2015) and by the Supreme Court of Canada in an important decision in 2008 (BCE Inc v 1976 Debentureholders).

We would conclude by observing that comparative business history provides one possible method of investigating the complex relationship between militarization and the cultural foundations of national corporate governance systems. We additionally feel that this article demonstrates the usefulness of referencing the work of people like Berle and Means when considering how views on business decision making and regulation have historically been influenced. *The Modern Corporation and Private Property* blended descriptive and prescriptive statements: throughout their careers, Berle and Means were concerned with how corporations should act as much as with how they did act. They helped shaped the view that corporations are social institutions, and this view was fundamentally shaped by their own public service. Their work is still salient to any analysis of the role corporations and management in contemporary societies.

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