

## **Institution Man**

Adolf Augustus Berle was born in 1866, the son of a German immigrant who soon died of the long-term effects of wounds he had suffered as a soldier under the command of Ulysses S. Grant in the Union Army. A physically tiny man with no inherited resources or connections, Berle had somehow by his early adulthood, in the closing years of the nineteenth century, acquired a super-powered personal force and drive. As a student at Oberlin College, in Ohio, he met and married Mary Augusta Wright, the daughter of one of the most renowned members of the faculty, a Congregationalist minister and professor of religion who was also, improbably, a renowned geologist. Berle himself studied theology, first at Oberlin and then at Harvard Divinity School, and became a Congregationalist minister. The Berles had four children. The second, and their first son, was Adolf Augustus Berle Junior, born in 1895.

The elder Adolf Berle was a brilliant man with a very grand conception of his place in the world. This meant, on one hand, that he regularly alienated the congregations of the churches over which he presided, so he wound up moving around and never being given long-term control of a major pulpit; and, on the other, that he somehow knew everybody worth knowing, especially if the person was a prominent liberal. He was vastly ambitious for his children. He taught all of them at least the rudiments of Latin, Greek, and Hebrew, plus some mathematics, at the age of three. Years later, after the children had grown, Berle used them as instructors in a summer school he operated at his house in New Hampshire, which promised “to instruct a small number of superior children in such a way as will make them natural companions of knowledge.” He also wrote a book called “The School in the Home,” and another called “Teaching in the Home: A Handbook for Intensive Fertilization of the Child Mind for Instructors of Young Children,” both meant to make his prodigy-producing techniques widely available.

Adolf Junior was admitted to high school at the age of nine and to Harvard College at the age of thirteen (his father didn’t think he was quite ready then, so he actually enrolled at 14). As a small child he was taken to meet the most celebrated social reformer in the United States, Jane Addams, who was a friend of his father’s, at Hull House in Chicago. At eighteen, through another friend of his father’s, he had an audience in the White House with President Taft. By the age of twenty-one he had acquired three Harvard degrees: a bachelors, a masters in history, and a law degree, the last of which made him the second youngest graduate in the history of Harvard Law School. Then he got a job in the Boston law office of another of his father’s exalted friends, Louis D. Brandeis, the crusading lawyer and future Supreme Court justice, who was the only person to have graduated from Harvard Law School at an even younger age than Berle, twenty. A few years later, the elder Berle testified at Brandeis’s Senate confirmation hearing, conferring the blessing of a Christian man of the cloth on the first Jewish justice.

At the age of twenty-three, Adolf Junior managed to get himself assigned to the American delegation at the peace talks in Paris that followed the armistice ending the First World War. He arrived in Paris in December 1918, on a cattle boat filled with wounded soldiers, but within a day he was staying at the Hotel Crillon, “a palatial palace with Marie-Antoinette furnishings” (he wrote in his diary) whose lobby was filled with “hosts of minor retainers, gold-plated secretaries swaggering in splendid and unused uniforms....many are intriguing for themselves, but most are endeavoring to find themselves in a rather inchoate mess.” During his first week in Paris, Berle witnessed President Woodrow Wilson being greeted by a cheering throng as he entered the Place de la Concorde, and took in “a naughty show” at a burlesque house. He also had an opportunity to encounter some of the most brilliant young men of his generation, because they were serving as junior staff members at the peace conference: John Maynard Keynes, the British economist; Walter Lippmann and William Bullitt, the American journalists; Samuel Eliot Morison, the historian; and the Dulles brothers, John Foster, the future secretary of state, and Allen, the founding director of the Central Intelligence Agency.

Soon Berle was in a more modest hotel but with a definite assignment, to the American delegation’s Russian section, which was charged with deciding what stance the peace treaty would take toward the newly empowered Bolshevik regime headed by V.I. Lenin. By the spring of 1919 he had become thoroughly disillusioned with the course of the negotiations, which to his mind had strayed a great distance from the inspiring Fourteen Points that Wilson had put forth in advance as the basis for peace. On Russia, he thought his superiors were too unwilling to work with the Bolsheviks, and too caught up in the idea that some form of the old regime could be restored. On the broader terms of the armistice, they were too punitive toward Germany, too generous toward France, and too unwilling to guarantee the rights of the Jews of Eastern Europe, the Latvians and Lithuanians, and other oppressed people. The result would be that Germany and Russia in a few years might “start the whole game of competitive armaments on a bigger scale than ever.”

In May 1919 Berle, assuming the stogy veneer of cynicism of a disappointed crusader, wrote his father, “I have come to the conclusion that any statement of ideals by anybody will never get any reaction from me again. If I can trust myself I shall be happy; if I trust anyone else I shall be a fool.” And then, a few days later, “The quiet intoxication of a really big row is stealing over me, and I should like nothing better than to tell the truth about the peacemaking to the Senate Committee [that would have to ratify the Versailles treaty]; after which I could retire for life.” And a few days after that, Berle and a group of his young colleagues resigned in protest from the delegation. When he was back in the United States, Berle—still only twenty-four—wrote a stinging article in *The Nation* called “The Betrayal at Paris,” in which he called the treaty an “abortion of compromise and hate” that “pointed the world back to the path of terror and tears.” This was not, of course, the work of someone who was renouncing public life forever.

Berle settled in New York and became a corporation lawyer on Wall Street, first in the office of yet another friend of his father's, then, beginning in 1924, in a firm of his own. That decision, from the distance of a century, has a different valence from what it had then, at least in Berle's case. He was intensely, almost wildly ambitious, and was being relentlessly prodded to become even moreso by his domineering and personally disappointed father, the semi-itinerant minister, who dreamed that Adolf Junior might become President of the United States one day. What he chose to do was not meant to be safe, but to propel him into the stratosphere. Berle always projected complete confidence, veering into arrogance, but privately there was a measure of desperation in the way he experienced his overbearing father's aggressively asserted expectations. One miserable day in the fall of 1922, he wrote in his diary, "For the ghastly fact is that our family....is being wrecked by my Father's curious egomania which takes the most brutal form and is mainly directed (God forgive) against my mother. When it began to be acute in 1919 she spoke of possible euthanasia suicide as a remedy. Now that is possible; or desertion is possible; I have thought myself that by sacrificing two lives I might free my mother for quiet evening years and liberate my sister...Father of course is convinced that he is an aggrieved vicar of God."

Besides practicing law, Berle was frequently publishing articles in prominent liberal magazines like *The Nation* and *The New Republic*, and also in the leading law reviews; he was expanding his impressive array of well-known friends; and he was actively engaged in a number of social-reform movements. Dressed in the elegant double-breasted suits he had begun wearing, his hair neatly parted and slicked down, he commuted to Wall Street from an apartment next door to the Henry Street Settlement on the Lower East Side, whose director, Lillian Wald, became a mentor of his. Besides all this, though, at that moment his law practice itself seemed, to him at least, to be anything but routine, because the question of how American society should regard the corporation was a new one, of supreme importance for the future course of the country.

The Industrial Revolution did not fully arrive in the United States until after the Civil War, so it was not until the last quarter of the nineteenth century that Americans began thinking seriously about what it meant to live in a world of big businesses, big cities, and, for a few people, vast personal fortunes. The country's founding documents did not envision such things. The census of 1880 was the first to show that the United States had a city, New York, with a population of more than a million. In 1890, Congress passed the first major piece of federal legislation meant to curb the power of "trusts," the Sherman Act. In 1896, the Democratic Party nominated a presidential candidate of populist inclinations, William Jennings Bryan of Nebraska, (whom it nominated again in 1900 and 1908), on a platform of hostility to unbridled capitalism. Educated middle-class people like the young Adolf Berle had been raised on the idea that American civilization was at heart one of small-town merchants and independent farmers. His generation was heavily influenced by the historian Frederick Jackson Turner's ominous declaration in 1890 that the

opportunity-providing American frontier had closed and so the essential nature of the society had to be remade (Berle was a student, and then a research assistant, of Turner's at Harvard).

What to do about the sudden and unexpected dominance of business was the great career-defining question for Berle's generation of reform-minded Progressives. One answer was the conservative one: celebrate it. Berle was uncomfortable with that. Another was to import European socialism to the United States. Berle was uncomfortable with that too. For people like him the real choice was a narrower, but highly consequential, one between two varieties of liberalism. This choice was most obviously on display in the 1912 campaign, when Berle was a Thou, in the difference between Theodore Roosevelt's economic program, which he called The New Nationalism, and Woodrow Wilson's, which he called The New Freedom. These are terms that don't communicate much today, so let's give them more vivid and cinematic names: Clash of the Titans liberalism and Middle-earth liberalism.

The combative, wealthy, power-loving Roosevelt was naturally drawn to the idea of the federal government's assuming enough new force and size to be able to fight big business as an equal. His historic reputation as a "trust-buster" is misleading; he was not against large economic units per se, but only against their excesses. Government's job was to check the excesses, not to break up the businesses. Roosevelt expanded government's power to regulate railroads, food, and medicine, but it was during the presidency of his successor, Taft, that the government broke up the steel trust (a decision that Roosevelt publicly opposed) and Standard Oil.

Among the leading intellectual proponents of Clash of the Titans liberalism were the three brilliant young founders of *The New Republic*, Herbert Croly, Walter Lippmann, and Walter Weyl—all supporters of Roosevelt, and all slightly older friends of Adolf Berle's. In 1909 Croly published a Progressive Era manifesto called *The Promise of American Life*. "The net result of the industrial expansion of the United States since the Civil War," Croly wrote, "has been the establishment in the heart of the American economic and social system of certain glaring inequalities of condition and power....The rich men and big corporations have become too wealthy and powerful for their official standing in American life." He asserted that the way to solve the problem was to reorient the country from the tradition of Thomas Jefferson (rural, decentralized) to the tradition of Alexander Hamilton (urban, financially adept). Weyl, in *The New Democracy* (1913), wrote that the country had been taken over by a "plutocracy" that had rendered the traditional forms of American democracy impotent; government had to restore the balance and "enormously increase the extent of regulation." These were problems of nation-threatening severity, which, to Clash of the Titans liberals, required radical modernization that eliminated the trace elements of rural nineteenth-century America. Lippmann, in *Drift and Mastery* (1914), argued that Bryan ("the true Don Quixote of our politics") and his followers were fruitlessly at war with "the

economic conditions which had upset the old life of the prairies, made new demands on democracy, introduced specialization and science, had destroyed village loyalties, frustrated private ambitions, and created the impersonal relationships of the modern world." A larger, more powerful, more technical central government, staffed by a new class of trained experts, was the only plausible way to fight the dominance of big business. The leading Clash of the Titans liberals were from New York City, but even William Allen White, the celebrated (in part for being anti-Bryan) small-town Kansas editor who was a leading Progressive and one of their allies, wrote, in 1909, that "the day of the rule of the captain of industry is rapidly passing in America." Now the country needed "captains of two opposing groups—capitalism and democracy" to reset the balance away from the capitalists' current dominance.

The Berle family's friend Louis Brandeis was the intellectual leader of the other camp, the Middle-earth liberals. Brandeis agreed with the Clash of the Titans liberals that the rise of the trusts posed a dire threat to the health of the republic, but his remedy was quite different: break up the trusts into smaller units, rather than being unconcerned about their size as long as their behavior was regulated. Brandeis was not a Jeffersonian, exactly—his preferred America was one where economic power was more regional than local, and where businesses that were medium-sized to large, rather than either small or enormous, were at the heart of American economic life. Brandeis was focused on the rights of non-plutocratic producers in the new industrial economy, far more than on the rights of consumers, who in those days were not yet a category in the public debate. Most of the leaders most of the leaders of Middle-earth liberalism, including Brandeis, were from the provinces, especially provincial cities; most members of Congress, because they represented geographic areas, were natural Middle-earth liberals unless they were from New York. (It may be pertinent that around the time Brandeis was becoming preoccupied with what he liked to call "the curse of bigness," he was also becoming, well into middle age, a passionate convert to Zionism, which he saw as another form of legal protection for a vulnerable group. The elder Adolf Berle was another early Zionist.) Brandeis was an adviser to Woodrow Wilson during the 1912 presidential campaign. Trying to frame the difference between his man and Roosevelt, he wrote in a private letter to Wilson that Roosevelt "does not fear commercial power, however great, if only methods for regulation are provided," but that "We believe that no methods of regulation ever have been or can be devised to remove the menace inherent in private monopoly and overweening commercial power."

During the campaign, Wilson gave speeches that took the Brandeis approach on economic issues. He spoke on behalf of "the little man...crushed by the trusts," and his implication was that the little man operated a business, rather than being a laborer or a consumer. Trusts, he asserted were by no means the natural and healthy products of market forces. They had been economically and legally manufactured by underhanded means, and they stifled competition. "I take my stand absolutely," Wilson declared, "on the proposition that private monopoly is indefensible and intolerable. And I know how to fight it." As President, Wilson passed the second major federal antitrust law, the Clayton Act, and established the

Federal Trade Commission, a new regulatory agency meant to ensure open economic competition. When he established the country's central banking system, the Federal Reserve, it was as a system of twelve regional banks, so as to avoid the danger of the control of credit by the "money trust" in New York. And he put Louis Brandeis on the Supreme Court.

Though he was still a college student, and an unusually young one at that, during the 1912 campaign--too young to be a direct participant in these struggles—Adolf Berle he entered adulthood fully persuaded that taming of the power of centralized business was the great historic task facing the country. Playing an important role in that struggle would enable him to become the great man he desperately wanted to be. Now he would have to figure out how--and that meant deciding what kind of liberal he was.

The Progressives were sincere in their convictions, but they also had psychological motives for committing themselves to the cause of political reform. As the historian Richard Hofstadter put it, "In a score of cities and hundreds of towns, particularly in the East but also in the nation at large, the old-family, college-educated class that had deep ancestral roots in local communities and often owned family businesses, that had traditions of political leadership, belonged to the patriotic societies and the best clubs, staffed the governing boards of philanthropic and cultural institutions, and led the movements for civic betterment, were being overshadowed and edged aside in the making of basic political and economic decisions....They were less important, and they knew it." That description roughly fits the Berle family and most of the upper-middle-class people they associated with. Adolf Berle's wife, Beatrice Bishop, came from a different group that also resented the sudden rise to dominance of people whom the industrialization of the United States had made rich: they were from the class that had been rich and dominant before the rising group surpassed them.

Beatrice Berle's father, Cortlandt Bishop, whom she adored, was the scion of a prominent New York family that had substantial real estate holdings. A brilliant man with four degrees from Columbia University, he did not hold a job because it was considered vulgar for a gentleman of his class to work for pay. Instead he was an early automobile and aviation enthusiast, bibliophile, art collector, and investor (he helped bankroll the Wright brothers' invention of the airplane), who spent six months of every year in France and the other six months traveling back and forth between an estate in the Berkshires and a grand stone house with an institution-sized private library that he had built, just off Fifth Avenue in New York City. Beatrice's mother, Amy Bend Bishop, whom she did not adore, was a late-to-marry society beauty, the daughter of a former president of the New York Stock Exchange, who was supposed to have been the real-life model for Lily Bart, the heroine of Edith Wharton's *The House of Mirth* (Wharton's house in the Berkshires wasn't far from the Bishops', and they knew each other). The Bishops, Beatrice wrote in her

memoirs, looked down on families like the Vanderbilts and Rockefellers as nouveau riche.

Even though it was a hundred years ago, it's hard to imagine that Americans ever lived the way the Bishops did. They spoke French at home—Beatrice was raised by a French governess—and dressed for dinner every night, the men in starched collars, white tie and tails, the women in gowns, the food and wine always grandly French. They were surrounded by servants. They were fantastically snobbish. Beatrice had to fight to be permitted to go to college (at Vassar, then populated exclusively by proper young ladies), because her mother thought it might give her an unacceptable tincture of the middle class. Her parents rejected, one by one, the impressive series of suitors she attracted, because each one was below the family's standing. In one especially painful case, her mother, learning that she was seeing a young man named Carl Binger, who went on to become a prominent psychiatrist, told her that, as Beatrice recorded it in her diary, "I must never invite a Jew to the house, that this house was hers and that she would never tolerate a Jew inside it." Beatrice acquiesced, because "I cannot imagine happiness coming from a total break with those I have loved best so far and I believe to cause them such pain is unnecessary. It means sacrificing Carl to other people's prejudices." But even if she chose to avoid it, the total break was coming.

Beatrice was an only child. Her mother, at least as Beatrice told the tale, had wanted a boy, partly because she had an overpowering fear of losing her husband's affection to a female rival as her looks, despite her copious use of treatments meant to defy aging, inevitably faded. (Amy Bishop's fear wasn't unjustified, though directing it at her daughter was; the family had twice discovered that Cortlandt Bishop was having extramarital affairs.) In 1925, when Beatrice was in her early twenties, her mother turned violently against her and told her that she never wanted to see her again. Beatrice went to see a cousin of hers, and also a neighbor in the Berkshires, Austen Riggs, a prominent psychiatrist who had founded a clinic in Stockbridge that still operates under his name. He told her that her mother had a mental disorder called paranoia and there was nothing to be done about it. And over the next year or so, Amy Bishop made it clear to her husband that he would have to choose between her and Beatrice; he chose her. In 1926 Beatrice received a curt note from Cortlandt Bishop: "I would like you to remove your good and chattels and not to return to the place thereafter. Do it as quickly as possible." When she arrived at the house to take her things away, her father was not there. She never saw him again.

It was while this drama was unfolding that Beatrice met Adolf Berle, and it's impossible not to notice the exact coincidence of the abrupt and painful loss of her relationship with her father and the start of her relationship with her husband. One of the suitors her parents had forbidden her to see was a friend of Adolf's, and he introduced them one spring evening in Washington Square. She always remembered her first impression of him: "Erect, an irrepressible little wave on top of his head, rimless glasses, a small moustache...precise, reserved, and courteous."

The three of them went to dinner in Greenwich Village. “Adolf spoke rapidly,” she wrote later, “the ideas following each other one after another with the force and speed of a mountain brook in the spring.” They talked about the Crusades, Napoleon, Columbus; economics, religion, politics. At that moment there was just enough left of her relationship with her parents that she was able to arrange for Adolf to come over for dinner, as part of a small group and not as an announced beau. On Beatrice’s instructions he wore a top hat. A little later, Adolf arranged for Beatrice to meet his parents over a Jewish Sabbath dinner at the Henry Street Settlement, with Lillian Wald presiding.

Adolf had the wit not to press his case during the worst of Beatrice’s family turmoil. On the day before Easter 1927, a suitable time after Beatrice and her parents’ final break, they visited Vassar together. After an afternoon rain, Beatrice remembered, “We walked around the lake, and the delicious smell of wet earth and the pattern of the trees in flower, mirrored in the water through the lamplight, were suddenly obliterated as Adolf took me in his arms and murmured, *cras amet qui numquam amavit*.”<sup>1</sup> They were married not long afterward, in a small ceremony that her parents refused to attend. They bought an old white farmhouse and 40 acres of adjoining land in the Berkshires, and, by way of a statement of Beatrice’s intention to depart from her parents’ mores, hung a tile next to the front door that read:

My house has the most noble coat of arms  
To receive without distinction rich and poor

All available evidence would indicate that the Berles had a blissful marriage. On their wedding night, Beatrice wrote in her diary, “through the exploring and the marriage of our bodies, we reach states of bliss and ecstasy previously unimaginable. It is as when man discovered fire!” They had two daughters and a son. They bought a large townhouse near Gramercy Park in New York, where Beatrice installed a master bathroom with aquatic murals painted on the walls, and two conjoined tubs—as a New Yorker profile sarcastically put it, “so that she wouldn’t miss any of his sudsy wisdom.” And their graves, just down the road from their farm in the Berkshires, have two conjoined headstones that bear the legend *Fortis et Dulcis*: strong and sweet.

Adolf encouraged Beatrice to pursue her own interests to an extent that many of their contemporaries found almost peculiar. She became a social worker, and then, after the children were born, a doctor, who operated a clinic in Harlem. And she transferred to Adolf all of the admiration she was unable to give her father, or maybe more. In one characteristic diary entry, she exclaimed, “He has one of the few creative minds in the domain of public affairs—and this brilliance is tempered with a great humanity.” From Beatrice, Adolf got his father’s sky-high expectations, minus the elder Berle’s oppressive need to dominate. They were mutually certain

---

<sup>1</sup> This is a line from *Pervigilium Veneris*, or *The Vigil of Venus*, an anonymous Latin poem, which translates as: Let those love now who have never loved.

that he was going to do something remarkable, a grand intellectual achievement that would also have an effect on the world; at various times over the years, privately to Beatrice, Adolf compared himself to Shakespeare, Napoleon, Adam Smith, and Karl Marx. He wanted, Beatrice wrote, to be “a social prophet”—that was his level of ambition. It was just a question of exactly how and where it would find its opportunity.

One winter night early in their marriage, Adolf didn’t come home for dinner. Finally, at 9:30, he turned up. He explained that he had been in a law library and had lost track of time. Beatrice asked him what he’d been working on, and she found his answer puzzling because it didn’t seem obviously to be on the grand plane of Adolf’s philosophical interests: the relationship between corporate executives and stockholders.

The liberal reaction against big business had been running for nearly half a century, and it had taken a number of different forms, but mainly it had been focused on a coterie of men who had made themselves very rich by building up the kind of business empires that people in the Progressive Era called “trusts”: Cornelius Vanderbilt in railroads, Andrew Carnegie in steel, Thomas Edison in electric power, John D. Rockefeller in oil, J. P. Morgan in finance. Now, in the 1920s, these people were dead or fading. Berle’s legal career on Wall Street, which put him in the middle of a lot of detailed work on stock and bond offerings, proxy votes, and so on, allowed him to come to what became the great insight of his career: the old trusts were being succeeded by corporations. These were hardly less powerful, but they were *institutions*, no longer run by founder-owner-operators but by salaried managers who were not national celebrities, and they were owned by hundreds of thousands of stockholders who were scattered all over the country. The corporations showed every sign of being a permanent major feature of American life. That represented a big change in how the country operated, and in where power rested.

Berle persuaded a research organization to give him a grant to make a detailed study of the corporation. He hired an economist named Gardiner Means—someone he’d known in the Army, who was also a Harvard-educated son of a Congregationalist minister, married to a Vassar graduate—to work up statistical evidence about how big and powerful the corporations had become. In 1932, when Berle was thirty-seven, the study was published: *The Modern Corporation and Private Property*, which became a classic almost instantly and still stands as the main intellectual achievement of Berle’s life.

Other intellectuals besides Berle had noticed the rise of the corporation. The final book by the radical economist Thorstein Veblen, called *Absentee Ownership and Business Enterprise in Recent Times* (1923), was mainly about corporations. So was *Main Street and Wall Street* (1927), by William Z. Ripley, a professor at Harvard Business School who was a mentor of Berle’s. Both of these books were essentially

hostile to corporations, focusing on the shenanigans—or to use Ripley’s memorable language, “prestidigitation, double shuffling, honey-fugling, hornswaggling, and skullduggery”—that they used to disadvantage their investors. They diluted their shares, gave sweetheart contracts to their directors, took away shareholders’ voting rights, and were “cloaked and hooded like the despicable Ku Klux Klan” when it came to issuing information about their economic performance.

What Berle brought to the subject was the combination of a much broader historical and social perspective, and detailed evidence in the form of the charts and tables that Means had worked up. And Berle’s timing was better: Veblen’s and Ripley’s [and Beard’s] books came out when the rise of the corporation was generally seen as a great achievement, and also as a delirious money-making opportunity for the growing American middle class. *The Modern Corporation and Private Property* was published in the wake of the 1929 stock market crash, with the Great Depression underway and the country coming to the view that the economic arrangements of the 1920s had utterly failed and needed to be replaced.

*The Modern Corporation and Private Property* had two central arguments: first, that a relatively small number of corporations had rapidly come to dominate the American economy, and second, that because these corporations had so many shareholders (the biggest one, American Telephone and Telegraph, had more than half a million of them), they represented a historically new kind of economic institution that was not under the control of its owners. Means’s research showed that of three hundred thousand American corporations, only two hundred controlled half of the national wealth--and their proportionate power, being relatively new, was sure to increase in the future. They were ubiquitous and inescapable, Berle wrote: “Perhaps...the individual stays in his own home in comparative isolation and privacy. What do the two hundred largest companies mean to him there? His electricity and gas are almost sure to be furnished by one of the public utility companies; the aluminum of his kitchen utensils by the Aluminum Co. of America. His electric refrigerator may be the product of General Motors Co., or one of the two great electric equipment companies, General Electric and Westinghouse Electric.” And so on.

What Berle called the corporate revolution was every bit as significant as the industrial revolution, or maybe even moreso: “it involves a concentration of power in the economic field comparable to the concentration of religious power in the medieval church or of political power in the national state.” And unlike the church, the state, or early-stage industry, the corporation had severed the tie between control and ownership. As Berle put it, “The dissolution of the atom of property destroys the very foundation on which the economic order of the past three centuries has rested.” Adam Smith’s conception of the market no longer applied, because the owners of businesses were no longer vigorous entrepreneurs, they were passive and distant from the enterprise. Control lay in the hands of managers and directors who were not significant owners. There was not yet a theory or

practice of economics or government big enough to encompass these developments. Therefore the task ahead was clear:

“The recognition that industry has come to be dominated by these economic autocrats must bring with it a recognition of the hollowness of the statement that economic enterprise in America is a matter of individual initiative. To the dozen or so men in control, there is no room for such initiative. For the tens and even hundreds of thousands of workers and of owners in a single enterprise, individual initiative no longer exists. Their activity is group activity on a scale so large that the individual, except he be in a position of control, has dropped into relative insignificance. At the same time the problems of control have become problems in economic government.”

The one immediate challenge to Berle’s big ideas about corporations came from a Harvard law professor named E. Merrick Dodd. From the law review articles Berle had published before the book was finished, Dodd got the impression that Berle’s main complaint about the corporation was that its managers weren’t running it solely for the economic benefit of their shareholders. He thought Berle was looking for a way to restore the shareholders’ power over management—to reclaim their rights as owners. Understanding this to be Berle’s position, Dodd then argued against it: he said corporations had a broad “social responsibility” to their employers, their communities, their customers, and the public, not merely an economic responsibility to their shareholders. The executives of the great new corporations should see that “they are guardians of all the interests which the corporation affects and not merely servants of its absentee owners,” and the law should see to it that they be permitted to follow this impulse even if their shareholders objected.

But by the time Berle was writing *The Modern Corporation and Private Property*, he had moved away from any concern he may have had for shareholders. Their disempowerment was merely a piece of evidence that Berle used to sound the alarm about the excessive power of the men who were running corporations—and therefore, really, the country. (It also differentiated his theories from those of the thinkers he thought of as his competition, Adam Smith and Karl Marx, since they both had posited that capital controlled capitalism, but Berle was saying that was no longer the case.) He believed that the big corporation itself was the problem, and that government had to be empowered to counteract it. As early as 1929, just as he was homing in on the full extent of corporate wealth, Berle wrote to a friend, “This is a problem of government rather than finance.”

Berle did disagree with Dodd, but that was because he did not believe the corporation’s immense power could be exercised benignly and voluntarily for the benefit of the whole society—not because he thought shareholders were being denied their economic rights. Dodd was naïve if he believed the corporation would ever behave responsibly, unless it were forced to. In a published response to Dodd’s criticisms, he wrote, “The industrial ‘control’ does *not* now think of himself as a

prince; he does *not* now assume responsibilities to the community; his bankers do *not* now undertake to recognize social claims; his lawyers do *not* advise him in terms of social responsibility. Nor is there any mechanism now in sight enforcing accomplishment of his theoretical function.”

In *The Modern Corporation and Private Property*, there is no discernible remnant of the argument Dodd thought Berle was making. It was an attack on the corporation not for the way it treated its shareholders, but for the fact of its power. Shortly after it was published, the book’s original publisher, a financially oriented firm called Commerce Clearing House, “discovered that they had harbored a viper in their bosom,” as Berle later put it, and arranged to turn it over to a trade publishing house, because it did not want to be associated with dangerous sentiments like Berle’s.

During the time after the book was finished but before it was published, Berle wrote a letter to Louis Brandeis, perhaps by way of preparing him for the news that he was just about to depart publicly from the justice’s preferred solution to the power of corporations, which was to break them up into smaller parts. “Rereading your collected essays not so long ago, I was struck with your opposition to the tremendous corporate concentration,” Berle wrote. “You were writing in 1915. Now the concentration has progressed so far that it seems unlikely to break up even in a period of stress. I can see nothing at the moment but to take this trend as it stands endeavoring to mold it so as to be useful. If the next phase is to be virtually a non-political economic government by mass industrial forces, possibly something can be done to make such government responsible, sensitive, and actuated primarily by the necessity of serving the millions of little people whose lives it employs, whose savings it takes in guard, and whose materials of life it apparently has to provide.”

What Berle was saying, in a rather more gentle tone to Brandeis than the one he would soon be using in public, was that he had become a Clash of the Titans liberal. It may have been that, as he wrote to Brandeis, he was simply responding to changing conditions, but his position on corporations also suited his large ambitions and his preoccupation with power. A society that had been broken down into smaller units that engaged in constant mundane quarrels was much less appealing to Berle than a society devoted to grand struggles between great forces—especially if he could be a significant participant, on the side of the national government, which was the only entity potentially more powerful than the biggest corporations. Now he had to find a way to do that.

Just as he was finishing *The Modern Corporation and Private Property*, Berle joined a group of “younger men in the statistical departments of banks” (as he put it years later) that met regularly, and secretly, to discuss the growing crisis in the financial system and what to do about it. In the spring of 1932, Berle began writing a memorandum that summarized the group’s views. (Only Berle’s name and one other

man's were on the memorandum, because the other members of the group were afraid they would be fired if their association with it were known.) Berle called it "The Nature of the Difficulty." The combination of the economic crisis and the increasing concentration of economic power meant that "For the first time, the United States has come within hailing distance of revolution along continental European lines." Dramatic new measures were required. These included pumping more money into the economy through tax cuts; government guarantees of job security and of savings deposited in banks; a new federal agency that would regulate the stock market; a new system of federal old age pensions and health and unemployment insurance; and relaxing the antitrust laws and the traditional restrictions on the size of banks, in exchange for imposing greater regulation on them. To register the full meaning of reforms like these when they were just new and unfamiliar ideas, it is necessary to recall that, as Berle put it, "The then revolutionary conception was simply this: for the first time in its history the federal government had to assume responsibility for the economic condition of the country."

One weekend during the period when Berle was composing "The Nature of the Difficulty," he and Beatrice went for a walk in the woods behind their house in the Berkshires. As she remembered it later, "It was one of those rare Spring days in New England when Spring dispels Winter and has not been overtaken by Summer. Patches of snow dotted last year's brown leaves, a warming sun came through the maple trees in tiny leaf, yellow-chartreuse, banks of wild violets coming into flower lined the road." Adolf was talking nonstop, in his customary low rapid confidential mumble, about how dire the situation in the country was and how important he thought his ideas were. Beatrice went on: "As Adolf was talking, I suggested that he needed a 'prince'—somebody who could make real the ideas he so freely spawned."

Providentially, not longer after that conversation, the prince appeared. For the past several years, Berle had been teaching corporation law part-time at Columbia. One of his faculty colleagues, a political scientist named Raymond Moley, who knew about the work he had been doing, approached him to say that he had been informally advising the presidential campaign of Franklin D. Roosevelt, the governor of New York. Would Berle be willing to come with him to Albany and have dinner with the governor? At that point Berle was officially a Republican, though not firmly identified with either political party, and Roosevelt's views on what to do about the economic crisis were unknown; a previous visitor dispensing economic advice was Irving Fisher, a Yale professor about the age of Adolf Berle Senior, who was the country's leading free-market economist. But Berle's visit to Albany, in May 1932, went splendidly.

"I took my memorandum in my hot little hand and we went up there," Berle remembered years later. "I was a bit dismayed, and stopped being dismayed three minutes after I met Franklin Roosevelt. He was not a man who dismayed people. He was a man who took you into camp almost at once, and we had a pleasant dinner

and went to the library, and then he said, 'All right now, do you want to say something?'

"I said, 'I have a memorandum here and I wonder if I could make a short speech?'

"The Governor said, 'No, make a long one, you can't do this with a short speech.'"

Soon Berle, Moley, and a few other advisers were set up in a hotel suite in New York, working for the Roosevelt campaign, and Berle was often called to meet with Roosevelt in person. As Beatrice put it in her diary, "A. has been in great & constant demand at Albany and Hyde Park." She sometimes accompanied him on these trips. On one visit to the Roosevelt homestead in the Hudson Valley, Sara Roosevelt, the governor's mother, took Beatrice aside and told her that she had known both of Beatrice's grandmothers and that it was a great relief to know that her son "had one gentleman at least working for him." She asked Adolf, "Are you very radical? I hope not. I am an old conservative."

Berle may not have been a radical if that meant being a Socialist or a Communist, but he knew that this was his great opportunity to see the ideas he had formed put into effect, and he was determined to take maximum advantage of it—to push as hard as he could for as much change as he could get. As he put it, "For an intellectual this was the golden period of being able to state a case with a fair hope that if it stood up it would be adopted. Further, it was a situation in which the normal political resistance was not likely to apply. The country was too badly off. Something had to be done." In August 1932, he wrote a memorandum to Roosevelt pressing his case more insistently than he had done before. He reminded Roosevelt that even a losing presidential candidate could become a significant figure in American life, but only if he could "quite definitely become the protagonist of an outstanding policy." Otherwise he would be forgotten. It was time for Roosevelt to create such a policy. Berle ran through the major points in *The Modern Corporation and Private Property* and in "The Nature of the Difficulty," and then suggested that Roosevelt propose "a policy by which the government acted as regulating and unifying agency, so that within the framework of this industrial system, individual men and women could survive, have homes, educate their children, and so forth."

Roosevelt asked Berle to draft a speech for him that would lay out this new idea. Over the next few weeks, the Berles sat at their dining room table in the Berkshires and wrote draft after draft in longhand, Beatrice rewriting Adolf's work and Adolf rewriting Beatrice's. When they had a draft they felt was ready for Roosevelt to see, Adolf, in a state of high excitement, sent off the speech text to Roosevelt's campaign train by air mail, along with a long telegram describing its contents, so that Roosevelt could get a sense of the main ideas right away. It began: "Fundamental issue today adaptation old principles to new and probably permanent

change in economic conditions which can only be done by enlightened government stop.”

Roosevelt delivered the speech on September 23, 1932, at the Commonwealth Club in San Francisco. It’s worth bearing in mind that up to that point, Roosevelt, whose governing vision is firmly fixed in our minds today, was widely regarded as a charming and high-spirited man who didn’t stand for anything in particular. He was intelligent but not an intellectual, and he never wrote a manifesto in his own hand. People who met him were always impressed by his curiosity and his ebullience, but rarely came away with a clear sense of what he thought. So the Commonwealth Club address stands as the best blueprint for the enormous change in the American political order that the public hadn’t yet started calling the New Deal.

The address displayed the Berle touch in the way it put an argument about what needed to be done right now into the context of the broad sweep of American history, so that to question what Roosevelt was proposing now would seem to be standing in the way of progress. The Berles had Roosevelt locate himself in the political tradition of two of his party’s great figures: Jefferson, the champion of democracy and enemy of centralized power, and Wilson, the opponent of big business whose agenda was left unfinished because of the exigencies of the First World War. In the early nineteenth century, the United States had protected its citizens from despotic political power and provided them with opportunity through the open frontier. Then came the industrial revolution. In order to develop its full potential, the country had empowered “a group of financial Titans” and had conceived of government’s role as “not to interfere but to assist in the development of industry.” But now, the frontier was closed, the railroads and factories were built, and the great threat to the freedom and welfare of the individual was not the kind of oppressive political power the Founders had feared, but super-concentrated economic power. This had become “the despot of the twentieth century, on whom great masses of individuals relied for their safety and their livelihood, and whose irresponsibility and greed (if it were not controlled) would reduce them to starvation and penury.”<sup>2</sup>

The Berles had Roosevelt note that recently, “a careful study was made of the concentration of business in the United States”—meaning The Modern Corporation and Private Property—whose implication was that, if nothing were done, “at the end of another century we shall have all American industry controlled by a dozen corporations, and run by perhaps a hundred men.” These men would be—this was a phrase Beatrice was especially proud of having written into the speech--“not

---

<sup>2</sup> It’s worth noting that, just as it’s almost impossible to imagine a Democratic presidential nominee today making such economically radical statements, it’s also impossible to imagine one offering a sweeping account of the history of opportunity in the United States without ever mentioning slavery or any other instance of a group of Americans being denied the rights of citizenship.

business men, but princes—princes of property,” The only way to forestall the onset of this “economic oligarchy” was to develop “an economic declaration of rights, an economic constitutional order.” Roosevelt’s program would be a kind of sequel to the founding of the United States, in which government protected the yeoman (who was now likely to be a city dweller) from the excesses of economic power, instead of the excesses of political power.

On very close inspection, the address rejected Middle-earth liberalism in favor of Clash of the Titans liberalism: there was a line about the impossibility of trying to “turn the clock back, to destroy the large combination and to return to the time when every man owned his individual small business.” But this was easy to miss because Roosevelt so enthusiastically praised Jefferson and Wilson and so ardently held up individualism as the most sacred American value. Adolf Berle was more candid about what he had in mind for the Roosevelt Administration in a letter he wrote just after election day to a friend who was a federal judge in Boston and a friend of Brandeis’s: “Brandeis dreams of turning the clock backward. His constant phrase is ‘the curse of bigness’—who shall say he is not right?—but from the puzzled position of mid-career, I cannot see how the tide can be turned back. Like you, I am afraid we are doomed to an era of big business, and possibly even to State socialism. The line that I am working on is a vague dream that the commercial organizations which we have built up may be used, more or less as they stand, without being destroyed, in the public interest....It cannot be individualism, pure and simple, as we used to know it.” In a letter to another friend the next month, Berle sketched out some of the ideas he had put forth in “The Nature of the Difficulty” and, by way of putting a label on them, said, “these measures...give all the machinery for a controlled capitalism as against an uncontrolled capitalism.”

In those days presidents were not inaugurated until early March. By that time the banking system had substantially collapsed; since the 1929 stock market crash thousands of banks had gone out of business, and now thousands more were simply closing their doors so that their depositors could not withdraw their funds. With the banks frozen, lending to businesses and consumers, which might have put some life into the dead economy, was impossible. The best-remembered line from Roosevelt’s inaugural address—“We have nothing to fear but fear itself”—was specifically meant to give people the confidence not to take their savings out of banks, and hence the economy, out of sheer panic.

On the day before Roosevelt’s inauguration, Berle attended an emergency meeting of bankers at the Fifth Avenue apartment of the incoming Secretary of the Treasury, William Woodin. The Berles then took the train to Washington for the inauguration ceremony, which Beatrice remembered as being rather grim: “As for it being a good show, there was no show,” she wrote in her diary. “We have lost all color and all sense of pomp and ceremony.... There was no thrill in the crowd, only idle curiosity.” Adolf went directly from the ceremony to another emergency meeting at the White House, not leaving until late in the evening. He spent the next

day, Sunday, at a second all-day meeting of bankers at the Treasury. "I never saw a more disorderly meeting in my life," he recalled later; one banker was weeping, another "drawing ladies and crescent moons" on a piece of paper. Just after midnight on Sunday night, Roosevelt ordered that all the banks in the country be closed for a few days. During that time, Congress passed emergency legislation authorizing the reopening of the stronger banks and the reorganization of the smaller ones. By the middle of March the immediate crisis had passed, and the federal government had become involved in operating the American economy in a way it never had been before.

William Woodin offered Berle a job in the Treasury. He considered it—Beatrice wrote that he said to her, "pulling out from the government now may be declining a place in history—shall I be Alexander Hamilton?"—but decided to decline. Berle believed he could have more influence if he was a member of Roosevelt's informal Brain Trust, not a full-time government employee with a specific job. Roosevelt presided over the executive branch in the manner of a politician, not a business executive. People left meetings with him impressed by his confidence but with very little idea where he stood. He liked keeping his options open until the last minute, and keeping in his head a private accounting, which was exclusively his, of whom the actors were and where they stood. He consulted all sorts of people constantly, about all sorts of matters that may or may not have been their official responsibility. This was an atmosphere in which somebody like Berle, whom FDR liked, could thrive. He was closer to power without a formal assignment than he would have been with one; he was one of a small group of people who had permission to telephone Roosevelt any time on his private line. At the same time, Berle had forged a close advisory connection to Fiorello LaGuardia, who was mayor of New York during the time Roosevelt was President. Under the quaint-sounding official title of City Chamberlain, he was a one-man Brain Trust for LaGuardia's administration. As Beatrice put it in her diary, "Before the Brain Trust days I felt that he would die a disappointed man if he did not have a finger in the pie. Now he has had a finger in all the pies there are."

It would be hard to think of anyone who managed to make a tighter connection between formulating big ideas and having a big effect than Berle did in the early 1930s. As Beatrice observed, intellectual life did not satisfy him, because he wanted his ideas to "govern and change the course of history...he was not satisfied with emitting wisdom from a distance in a detached and unemotional manner." But he lacked the temperament to obtain and exercise power in the manner of Roosevelt and LaGuardia. Beatrice went on: "He is a man of unlimited ambition...but he is too sensitive, not sufficiently ruthless and outwardly aggressive to gratify this ambition comfortably." Therefore, and necessarily, "his great genius consists in supplying the ideas for other people." Berle was fully aware of how large, and how unlikely ever to be repeated, the opportunity before him was. As he told an interviewer many years later, "Suddenly you find yourself connected with the unlimited voltage of a government the size of the United States, when handled by as forceful and determined a man as Roosevelt was—the power became enormous."

What's difficult, though, is to figure out precisely what effect Berle had during those early years of the New Deal. Because he didn't have a job, and because the ambient level of chaos in Roosevelt's inner circle was so high, all we can know is what Berle wanted to happen, and what actually did happen—not the relation between the two. Within the first few months of Roosevelt's presidency, three economic reforms Berle had been advocating for years became law: the legal separation of commercial and investment banking, federal insurance of the bank deposits of working-class and middle-class Americans (along with federal regulation meant to prevent the insured banks from using their depositors' money in ways that put them at risk of failure), and federal regulation of stock and bond offerings by corporations. The first of these was aimed at eliminating one of the leading corrupt financial practices of the 1920s: banks lending money to companies, and then ensuring that their loans would be repaid by selling stocks and bonds in those companies to unsuspecting customers. The second restored enough confidence in the safety of banks that people would start putting their money into them again, so that banks could make loans. The third required corporations to provide prospective investors with basic financial information. During the campaign, Berle had written a speech that Roosevelt never delivered, about the problem of "masterless money." He wanted Roosevelt to exclaim, "Look about you in the whole financial system for anyone who assumes responsibility for the little man, or his little savings." Now that Roosevelt was president, the government had assumed that responsibility, no matter whether the little man's savings were deposited in banks or invested in stocks and bonds.

Berle had it in mind that this would be only the beginning of the great enhancement of the government's role in the economy. He had hoped, for example, that when the new agency regulating stocks, the Securities and Exchange Commission, was created, it would not only require public information, but also regulate financial behavior—for example, banning margin trading, short selling, and the practice of banks trading stocks for their own accounts rather than their customers'. Instead he was kept out of the drafting of the SEC's charter, and none of that happened. He enthusiastically supported the National Recovery Administration, another agency created during the earliest days of Roosevelt's presidency, which had the power to regulate specific companies' prices, wages, and basic economic decisions, as another aspect of the government's new role as an economic power fully equal to the corporation. The idea of the government as grand economic planner and regulator, its power extending fully into the suites where the largest corporations made their decisions, appealed deeply to Berle. The old ideas of Brandeis and Wilson had lost any appeal they may once have had; the larger the economic units, the easier it would be for the government to enact Berle's ideas. But Berle had kept up his respectful connection to Brandeis, who may not have realized how completely Berle's views had by now departed from his own.

In April 1934, Berle fired off a letter to Roosevelt. "Dear Caesar," it began. "Mr. Justice Brandeis has been revolving matters in his head and I think requires

some attention.” Brandeis did not feel that his seat on the Supreme Court should constrain him from making his views known to the President, though he usually did so through intermediaries like Berle. “His idea was that we were steadily creating organisms of big business which were growing in power, wiping out the middle class, eliminating small business and putting themselves in a place in which they rather than the government were controlling the nation’s destinies.” Brandeis wanted Roosevelt to know, Berle went on, that “unless he could see some reversal of the big business trend, he was disposed to hold the government’s control legislation unconstitutional from now on”—including specifically the NRA. Roosevelt replied to Berle typically—he was charming but cryptic: “As to our friend of the highest court, I expect to have a good long talk with him within the next few days. The difficulty is that so many people expect me to travel at a rate of one hundred miles an hour when the old bus cannot possibly make more than fifty miles an hour, even when it is hitting on all eight cylinders.”

Neither Berle nor Roosevelt, evidently, was shocked that a Supreme Court justice would, in effect, blackmail a President into changing his policies with the threat of overturning them as unconstitutional. Berle always claimed to admire Brandeis—he kept a portrait of the justice on the wall of his office for decades—and to have become opposed to Brandeis’s Middle-earth liberalism only reluctantly, with sincere regret, because it had become unrealistic in the modern world. Whatever resentment of Brandeis he may have been inclined to feel, he transferred to Brandeis’s chief protégé in Washington, Felix Frankfurter, who was the New Dealer Berle hated most. As enemies often are, Berle and Frankfurter were a lot alike: both of them were diminutive, brilliant former child prodigies, both were professors at Ivy League law schools, both were active liberals who liked taking controversial public positions, and both had chosen to spend the early years of the New Deal mostly out of Washington, as advisors to Roosevelt without a specific portfolio. Twenty years earlier, when Berle was an unusually young student at Harvard Law School and Frankfurter an unusually young professor, Berle took one of Frankfurter’s classes and rose constantly from his seat to offer an improved version of what Frankfurter was saying; at least according to legend, the next year he appeared in the same class again, in order, he told Frankfurter, to see whether Frankfurter had corrected the errors he had pointed out the year before.

By the time of the Roosevelt Administration, Berle saw Frankfurter as a highly effective schemer, operating through a web of former students he had placed in important jobs in Washington, who was somehow more allied than Berle both with Brandeis’s Middle-earth liberalism and with European socialism. (Decades later, a historian discovered that while on the Supreme Court, Brandeis had paid Frankfurter a retainer for receiving, and trying to promote, the policy views that Brandeis was not permitted to express openly.) It was Frankfurter’s protégés who had taken control of the design of the Securities and Exchange Commission, and given it less regulatory power than Berle thought it should have. Frankfurter was also skeptical of the National Recovery Administration’s expansive powers. It was a bitter pill for Berle to swallow when the Supreme Court, in May 1935, unanimously

declared the NRA to be unconstitutional, with Brandeis concurring—and another bitter pill when, in 1939, Roosevelt nominated Frankfurter to join Brandeis on the Supreme Court.

Roosevelt reacted to changes in the economy and in the political atmosphere by constantly tacking this way and that on economic policy, and that only inflamed the rivalries between planning- and regulation-oriented Clash of the Titans liberals like Berle and power-mistrusting Middle-earth liberals like Frankfurter. The end of the NRA was a sign that Berle's side was losing. In 1938 Roosevelt appointed an old-fashioned crusader, Thurman Arnold, to run the antitrust division of the Justice Department in an especially aggressive way; Berle continued to believe that bigness in the corporate world was not a curse but an occasion for empowerment of the government. In the wake of the Supreme Court decision invalidating the NRA, he wrote to a friend in New York, perhaps a little disingenuously, "I wish I could agree that a decline in centralized economy will be possible.... Life under a small unit society would satisfy both you and me a great deal better than life under the present system does. As someone said in dismissing Mr. Brandeis's views: I feel with sympathy for decentralization and will support it whenever I can with the hopeless feeling that all bets are the other way."

What Berle failed to see, because he was so focused on Brandeis, was that a much more profound and enduring liberal challenge to his economic views had arisen. In 1936, John Maynard Keynes published *The General Theory of Employment, Interest, and Money*, proposing a new and more technical way for government to solve economic problems: by managing interest rates, the money supply, and the overall level of government spending. Berle knew Keynes slightly, because they had met during the peace negotiations after the First World War, and he and Beatrice had even quoted Keynes in one of the many drafts of the Commonwealth Club speech. But he didn't take Keynes as seriously as he should have. That was partly because Berle felt he had, on his own, in his "The Nature of the Difficulty" memo, arrived at the key point of Keynesian economics—the way out of a Depression was to give ordinary people the means to spend more. He advocated such ideas all through the New Deal. Also, Keynes was close to the hated Frankfurter, who had arranged for him to meet with Franklin Roosevelt in the White House even before the *General Theory* was published. Berle's old writing partner, Gardiner Means, who was working in one of the New Deal planning agencies, instantly recognized Keynes's importance. In the summer of 1939 Means traveled to England and spent a day conferring with Keynes at his country house in Sussex, leaving with the conviction that the two of them weren't really so different.

That was wishful thinking. Berle and Means were focused on government, as an institution, directly involving itself in the operations of business institutions, especially large corporations. Keynes, as a macroeconomist, was primarily concerned with the economy overall, not with specific institutions, even ones as big as the great American corporations. Keynesian economics offered liberals in government an entirely different set of tools from the ones that the Supreme Court

had invalidated in its NRA decision. Keynes's American admirers were not particularly interested in the main battles of the past ten years of Berle's life: the clash between government and the corporation, and the question of whether the biggest businesses should be broken up into smaller units. When Berle and Means were writing together, the leading economics departments in universities were filled with people who studied institutions—microeconomists. Within a generation, macroeconomists, who studied statistics rather than institutions, dominated the field completely, and Clash of the Titans liberalism as a big idea began to be succeeded by what might be called Macro Liberalism, which focused on managing the economy rather than on taming the corporation. Berle thought of his version of liberal economics as being about power; the macroeconomists thought of their version as being about science.

In 1935, the Berles got word that Courtlandt Bishop, Beatrice's father, was dying, and that he had told one of his nurses that he wanted to see his daughter. One day they drove to the grand Bishop house in Lenox, from which Beatrice had long been banished, and knocked on the door. Amy Bishop appeared, "looking like an old hag with eyes that were not there," as Beatrice remembered it, and said, "Your Father does not want to see you alive or dead." They left, and soon Courtlandt Bishop was gone. "It hurts," Beatrice wrote in her diary. "I have lived now for nine years without seeing him. I have made a home and a full life and in back of my mind I have always felt that some day I would see him again; that some day he would come to know Adolf and be proud and happy about his daughter."

Courtlandt Bishop left Beatrice nothing in his will. She and Adolf hired lawyers, went to court, and wound up succeeding in having some family money that her father had inherited and held in trust given to her. This meant that the Berles no longer needed the income Adolf had been earning all along by practicing law on Wall Street. In 1938, Adolf was appointed assistant secretary of State, with a special responsibility for Latin American affairs, and the family moved to Washington for the rest of the Roosevelt years. Berle had been interested in Latin America ever since, as a young Army officer back in 1918, he had spent time in the Dominican Republic; and by now, with war imminent, the State Department was becoming the center of the action.

The Berles lived in a series of rented mansions, entertained constantly, and knew everybody. Compared to most assistant secretaries, Adolf was hugely influential. He drafted Roosevelt's declaration-of-war message to Congress after the attack on Pearl Harbor, in addition to several other important speeches. He helped create the St. Lawrence Seaway, in Canada, and the modern system of commercial airline regulation. He was the person Whittaker Chambers came to see in 1939 to report that there were Communist Party spies working in government. He continued to see Roosevelt regularly. He tried to make himself part of just about everything in Washington, and sometimes he succeeded.

But Berle was never as influential as an official full-time diplomat as he had been as an informal economic advisor in the early days in the New Deal. His grandiose and earnest conception of himself, his closeness to Roosevelt, and his propensity for feuding made him one of Washington's most disliked figures. Behind his back people called him, not fondly, Little Atlas, or The Brain. The New Yorker's two-part profile of him in 1943 ended by saying, "It is a big job to plot the future of the world, but Berle gives many onlookers the impression that he is up to it." Felix Frankfurter, whose appointment to the Supreme Court in no way diminished his dislike of Berle or his competition with him for Roosevelt's favor, wrote in his diary in 1942, "There is not one iota of doubt that Berle is almost pathologically anti-British and anti-Russian, and his anti-Semitism is thrown in, at it were, for good measure, though probably derived through certain personal hostilities and jealousies." Talk of that kind around Washington, along with Berle's hesitancy about the United States entering the Second World War as soon as Britain did and, later, about giving the Soviet Union a free hand on the Eastern Front, got him a reputation for being an appeaser and a too-ardent anti-Communist.

After Roosevelt was elected to his fourth term, in 1944, his closest aide, Harry Hopkins, came to see Berle and told him his service as assistant secretary of State was over. As a consolation prize Berle was made ambassador to Brazil. He had one final private audience with Roosevelt in the White House, to discuss the shape of the postwar world, only a little more than a month before Roosevelt died. In 1946 he resigned from government and the Berles moved back to New York.

Some people start out as optimists, seeing the world as a shimmering field of unrealized possibilities, and as they age they become pessimistic, preoccupied with everything that can go wrong. Adolf Berle had an opposite progression. In his twenties, at the peace talks in Paris, he thought he was watching the creation of arrangements that could bring civilization to end. In his thirties, in New York, he perceived in the rise of the corporation a basic threat to American democracy. But in his fifties and sixties, he believed he was living under a strong, benign, lasting social order, one he had helped to create: domestically and economically, the tamed, socialized corporation; internationally, an all-powerful United States presiding over an expanding free world.

Although Berle never again experienced the kind of extraordinary confluence that the publication of *The Modern Corporation and Private Property* and then becoming a key advisor to Roosevelt at the moment of his ascension to an unusually consequential presidency represented—who ever does?—he spent the last quarter-century of his life, after he had returned to New York, being treated as a liberal sage.. The Berles moved back into their townhouse on Gramercy Park. Although both of them were conducting demanding careers, they entertained relentlessly—usually in the form of black-tie dinner parties, held once a week or even more often, with the guest lists and menus meticulously planned and recorded by Beatrice, for politicians, professors, novelists, musicians, diplomats, scientists, and whoever else struck them as prominent and interesting. At one dinner, during the period of

guided discussion that the Berles would always initiate over the main course, a socialist guest announced, "If there is a lower class, I want to be in it!" After he had left and only the family remained, Beatrice said, "Well, if there is an upper class, I want to be in it."

Adolf Berle was a founder and longtime chairman of the Liberal Party of New York City, which tried to throw its support to whichever of the major parties was more in favor of generous government social programs while also being staunchly anti-Communist. He advised Adlai Stevenson, the Democrats' presidential nominee in 1952 and 1956, and Nelson Rockefeller, the governor of New York in the 1960s and the leader of the liberal wing of the Republican Party. He constantly contributed articles to prominent newspapers and magazines, gave lectures all over the country, and was often cited in books, law review articles, and judicial decisions. He served briefly as an advisor on Latin American policy to President John F. Kennedy. If there was an obvious way in which Berle's views were becoming out of date as he aged, it was on foreign policy. He didn't see any problem with the United States exerting its power maximally everywhere, and he had trouble perceiving the aspirations of left-wing movements around the world as anything but attempts by the Soviet Union to extend its influence. He supported the disastrous Bay of Pigs invasion of Cuba in 1961, which tried to depose Fidel Castro in his early years in power; the United States's military invasion of the Dominican Republic in 1965 to help the regime there put down a rebellion; and the Vietnam War. But until the end of his life—he died in 1971—*The Modern Corporation and Private Property* was treated as a classic, whose insights about the power of the corporation, rather than being controversial as they had been when he first stated them, had become part of the way everybody thought.

What made Berle famous was his alarmed criticism of the power of the corporation, but his attitude toward it was more complicated than pure opposition. That became clear during the New Deal, when he was battling with Brandeis and his protégés. All through the 1930s, Berle argued against the kind of aggressive enforcement of antitrust laws that would entail breaking up big corporations. In 1937, when Brandeis and his allies had the idea of imposing a big new tax on corporations' profits, Berle convened a small group of powerful men—including the chairman of General Electric, a partner of J. P. Morgan's, and the presidents of the steelworkers' and mine workers' unions—to oppose the new tax, and, for good measure, the Roosevelt Administration's antitrust program. When Congress created, a new body called the Temporary National Economic Committee, in 1938, Berle came before it to testify against tax cuts and antitrust actions, and in favor of national economic planning. In 1949, when Congress began considering what wound up being the last great piece of American antitrust legislation, the Celler-Kefauver Act of 1950, Berle again testified in favor of keeping big corporations big. "I do not think we are going to get rid of big units," he wrote Congressman Emanuel Celler of New York, the co-sponsor of the law (and, naturally, a friend of Berle's). "The real question is whether...we need have a real piece of work done permitting an appropriate Federal agency to do industrial planning."

To Berle's way of thinking, in the mid-twentieth century and as far as the eye could see into the future, a centrally planned economy was inevitable. The Nazis and the Italian Fascists had had planned economies, and so did the Soviet Union. Any thought that the United States could avoid having one was nothing but a sentimental fantasy, on the part of either blindly doctrinaire free-market purists or backward-looking Middle-earth liberals. The real fight was between the other systems and an American one that would preserve democracy and individual rights. Hadn't economic planning gotten the country out of the Depression? Hadn't an even higher level of economic planning, with Washington setting wages, prices, consumption levels of goods, and factory production schedules—won the war? At least in retrospect, it seems clear that what the angry younger Berle had really wanted was to enhance the power of government to the point where it could outmatch the power of the corporation. He had no quarrel with centralized power, as long as it was used for good. The drama of his career was the harnessing of the corporation, not its destruction; indeed, in order to work, his vision of a good society actually required that corporations be as big and powerful as possible. Berle's was a not quite Oedipal dream in which the corporation, the domineering father of the national economy, rather than being slain, would be civilized and made benign. Now that government was so much bigger and exercised so much more power over big business, he was discovering that he rather liked the corporation

During the 1950s and 60s, Berle wrote several books and essays meant to bring up to date the themes of *The Modern Corporation and Private Property*. None of these made as much noise as his first book had, but they all showed that he hadn't lost his special talent for transforming the technical details of corporate law and finance into a series of large, attention-grabbing assertions that put the advent of the corporation into the context of the great milestones of human history, ranking with the Magna Carta and the Russian Revolution. By now, though, it was a positive development, not an alarming one. "Its aggregate economic achievement is unsurpassed," he wrote about the American corporate economy in 1954. "Taking all elements (including human freedom) into account, its system of distributing benefits, though anything but perfect, has nevertheless left every other system in human history immeasurably far behind. Its rate of progress shows no sign of slackening."

By Berle's reckoning, the economic dominance of the corporation had only increased since the 1930s: now, only 135 corporations owned 45 per cent of the country's industrial assets, and 25 per cent of the world's. The reason this did not trouble him as it once had was that government had become powerful enough to control the corporation; government in fact owed a great debt to the corporation, for providing it (via Berle's writings) with the justification to enlarge itself. The United States now had "a mixed system in which government and private property are inextricably mingled," and "This is not a result of any creeping socialism. Rather it is a direct consequence of galloping capitalism." This had worked out so splendidly, from the point of view of democracy and social justice, that Berle was

sure that even Louis Brandeis, by now long dead, “would be the first to deal with the facts and the last to fetter his views with fiction”—meaning that Berle felt empowered to convert the justice posthumously to Clash of the Titans liberalism.

It was unimaginable to Berle that the role of government as master planner of the economy would not increase. Already, government controlled vast regions of the economy: banking through the Federal Reserve Board, airlines through the Civil Aeronautics Board, trucking through the Interstate Commerce Commission, electric power and natural gas through the Federal Power Commission, broadcasting through the Federal Communications Commission—all in all, he estimated, about half the economy. Surely there would be more such agencies in the future. The public would not stand for any attempt to diminish government’s role in the economy, and therefore neither would politicians: to abandon planning “meant risking unemployed workers, failure of supply of consumer goods. Deterioration of standard of living, possible political disorder, in brief, a step backward in civilization.”

Also, the corporation had become so powerful that it could easily afford to step into the role government had forced upon it, as the “conscience-carrier of American society.” Berle still firmly believed in the central finding of *The Modern Corporation and Private Property*: that because the corporation’s stockholders were so widely dispersed (by now AT&T had more than a million shareholders), there was no relationship between ownership and control. The financial markets had become irrelevant. By Berle’s calculations, corporations were so profitable that they were able to pay for nearly two thirds of their investments with their own cash, and this trend too would surely increase. One could now simply write off Wall Street, the great villain for liberals in Berle’s youth, as irrelevant: “The capital is there, and so is capitalism. The waning figure is the capitalist. He has somehow vanished in great measure from the picture.” Berle recalled his pre-New Deal argument with Professor Merrick Dodd of Harvard Law School, and magnanimously acknowledged that Dodd had won: “stockholders do not hold the center of the corporate stage right now.” Corporations safely could, and had, become socially responsible in the way Dodd had envisioned.

Sentiments like Berle’s were everywhere in the 1950s. In 1953 David Lilienthal, former head of the Tennessee Valley Authority and the Atomic Energy Commission, and a student of Frankfurter’s who had converted to Berle’s side, published a book called *Big Business: A New Era* that was a full-throated celebration of the corporation and an attack on Brandeisian sentiments. “Bigness is....a way of thinking,” Lilienthal wrote. “We think negatively. We are preoccupied with restraints, prohibitions, antitrust, antimonopoly, anti-this and anti-that. This should not be the mood of sanguine and confident Americans.” Lilienthal one-upped Berle’s declaration that Brandeis, if he were alive, would now be in favor of bigness, by asserting that even Walt Whitman, if he were alive, would be an admirer of the corporation. One of Berle’s many friends had a voice that rose above the low general murmur of assent into something that attracted real public notice—more, in fact,

than Berle himself ever did. That was John Kenneth Galbraith, who was more than just a protégé of Berle's, though he was that; he was the leading champion of the liberal idea that the corporation, properly handled, could occupy the core of a wondrous new social order.

Galbraith was a Canadian agricultural economist who had wound up in Washington during the Second World War, helping to run the government's Office of Price Administration, which is to say that he came of age as a government official directly intervening in the economic lives of big companies. He met and befriended both Berle and Gardiner Means. In the 1950s, as an economics professor at Harvard, he wrote a series of books (funded partly through Berle's having lobbied some wealthy patrons he knew) that made him famous, all of which follow in the line of *The Modern Corporation and Private Property*—especially the first of the books, *American Capitalism*, published in 1952.

Galbraith accepted most of Berle's basic tenets. He believed that corporations completely dominated the American economy, that bankers and financiers had become irrelevant, and that using antitrust law and other Brandeisian means to weaken corporations would not be productive. Liberals should be trying to make corporations behave in benign ways, not to reduce their power. Writing at a time when, not so long after the Great Depression, the American economy seemed almost miraculously prosperous, Galbraith added a new dimension to the influence of the corporation: using advertising in the mass media, it could now manipulate consumer demand for its products almost at will. The corporation wasn't just protected from its owners, as Berle has been saying for years; it was also protected from its customers' whims. That made the need even more urgent for a large role for government, on behalf of the public, in the affairs of these institutions, the most powerful and unaccountable in history.

In two important ways, Galbraith's ideas about the American economy were different from Berle's. He could see, far better than Berle did, that management of the economy along the lines of John Maynard Keynes's theories posed a threat to the government's ability to direct the activities of specific corporations, which was always Berle's preference. That was because the Berle method was confrontational—therefore inevitably controversial--and the Keynes method was invisible. As Galbraith put it, under Keynesian government management of the economy, "To the naked eye, the scope of private business decisions remained as before. General Motors still decided what cars to produce, what prices to charge, how to advertise and sell them, when to build a new assembly plant and how many workers to employ." Keynesian economic management had no immediate natural enemies; Berle's style of planning did.

Galbraith was also less comfortable than Berle with unadulterated Clash of the Titans liberalism, in which the federal government would take the field as the corporation's all-powerful opponent. The idea he promoted in *American Capitalism* was "countervailing power," in which other organized groups—labor unions,

consumers, farmers, smaller business competitors—would bring the corporation to heel, forcing it to attend to society’s needs. Government had to play a part in this, because it had to create a system in which these groups could become powerful enough to take on the corporation; indeed, Galbraith wrote, “the provision of state assistance to the development of countervailing power has become...perhaps *the* major domestic function of government.” Galbraith’s ideal world was one of political bargaining and compromise, and of a willingness to sacrifice the purity of a big idea like economic market efficiency (which was the preoccupation of most of his fellow economists) or state power (which was Berle’s preoccupation) in order to achieve social peace. But the goal was the same: accept the dominance of the corporation, and find a way to turn it to the benefit of society.

“I find it very difficult to join with people who like to yammer about the American system,” Berle told an audience of students in 1960, “because by the time you get all through yammering, you still have to recognize that it has done more for more people and it has done a better job for a great block of the population as any system in history.” It’s easy to imagine the identities of some of the yammerers he had in mind. On the right, there was Friedrich Hayek, the Austrian economist, who had relocated to the University of Chicago after the war and had begun to attract a passionate band of followers to his view that any major enhancement of the power of the state represented an unpardonable step in the direction of totalitarianism. To Berle it was understandable that Hayek, who had watched the Nazis take over his country, would think this way, but there was no actual danger of this in the United States. Hadn’t democracy and liberty remained strong in the decades since the coming of the New Deal?

On the left, there was a group of social critics who shared Berle’s preoccupation with the corporation, but saw it as a kind of disease to be conquered, rather than an unstoppable force to be managed. David Riesman, the lawyer-turned-sociologist whose 1950 book *The Lonely Crowd* was an influential bestseller, identified the fundamental shift in the American character, from “inner-directed” to “other-directed,” as the great national peril. The rise of the corporation had turned a country of independent individuals into one of company men, for whom the need for approval was an “insatiable force.” Then there was Berle’s Columbia colleague C. Wright Mills, the radical sociologist, who followed in Riesman’s path but raised the temperature of alarm about the corporation even higher. In *White Collar*, published in 1951, he had this to say to corporate employees:

“You are the cog and the beltline of the bureaucratic machinery itself; you are a link in the chains of commands, persuasions, notices, bills, which bind together the men who make decisions and the men who make things; without you the managerial demiurge could not be. But your authority is confined strictly within a prescribed orbit of occupational actions, and such power as you wield is a borrowed thing. Yours is the subordinate’s mark, yours is the canned talk. The money you handle is somebody else’s money; the papers you sort and shuffle already bear

somebody else's marks. You are the servant of decision, the assistant of authority, the minion of management."

All through the 1950s and 1960s, journalists, novelists, and filmmakers sounded this kind of note—including of course William Whyte in *The Organization Man*. Psychologists conducted ominous experiments that showed the danger of conformity. The Port Huron Statement (1962), the founding document of the student radical movement of the 1960s, reads as a kind of thirty-years-later sequel to *The Modern Corporation and Private Property*, sounding again and again the alarm about the dominance a few dozen corporations had established over American society. Norman Mailer, in his 1963 novel *The American Dream*, had his hero, Sergius O'Shaughnessy, interrupt a lovemaking session to pluck out and fling away his partner's diaphragm, because it was a "corporate device." By 1970, Charles Reich, a Yale law professor who was another popular social critic of the day, took the argument to its logical conclusion by declaring, in *The Greening of America*, that by now the United States "can be thought of as a single vast corporation, with every person as an involuntary member and employee."

Berle didn't take opinions like these seriously. They missed what to him was the overwhelming, undeniable main point about American society in the twentieth century, which was the success of the social order he had helped to introduce in the early years of the New Deal. The Depression had been conquered, the Second World War had been won, and the great competition with the Soviet Union was moving toward the inevitable triumph of American capitalism. There had not been a financial crisis for decades. The standard of living for working- and middle-class people was rising, and the kind of widespread severe material deprivation that Berle had seen at first hand as a young man had almost disappeared. Against all this, it was hard for him to perceive some sensed but unprovable increase in conformity as a menace to the republic. Also, the new critics of the corporation didn't seem to have a plan, as Berle had had in his younger days. It looked as if they were dreaming of creating a neo-Jeffersonian world in which there would be no large organizations at all; they made Brandeis look hard-headed and practical. The Commonwealth Club address the Berles wrote for Roosevelt in 1932 was framed as a defense of "individualism" in the age of the corporation, but choosing that label was only a tactic, so that it wouldn't seem that Roosevelt was being too radical. The truth was that Berle thought, back then and even more now, that the age of individualism had ended, succeeded by an age of institutions. He had no sympathy for the idea that the country should make individualism its premier value.

In hindsight, one can see other threats to the peaceable kingdom where Berle imagined himself to be living, ones that were not so apparent to him because they didn't originate in his immediate world of politicians and professors. Like many American liberals during the first two-thirds of the twentieth century, including Franklin Roosevelt, Berle, through a lifetime of producing grand, morally concerned *tours d'horizon* of the state of American democracy, almost never noticed that racism was a big problem. When the civil rights movement became inescapably

apparent to people in his world, he of course supported it, but he didn't see how deeply it countered his view of the United States as a high-functioning society that provided opportunity to everybody, or how powerfully it would inspire other social movements dedicated to other problems he didn't much notice.

The intellectual threat Berle had always taken most seriously, Brandeis's Middle-earth liberalism, had faded after the war as a liberal cause; the United States was becoming a nation of consumers, instead of the nation of producers that Brandeis had in mind. But it lived on, hiding out of Berle's line of sight and not necessarily allied with liberalism or the Democratic Party, under the protection of the American political system, with its empowerment of local and parochial concerns. Every day, in Congress, in government agencies, and in state legislatures, the kinds of non-enormous business interests that Brandeis revered—farmers, local stores, provincial banks--were finding ways to carve out protected economic space for themselves, and this process undermined Berle's ideal of government in Washington exerting its full might against an ever-decreasing number of ever-larger corporations.

The intellectual threat Berle hadn't taken seriously enough, Keynesian economics, was growing enormously in influence and prestige. Probably the most important economics publication of the 1950s was called "Existence of Equilibrium for a Competitive Economy." Using dozens of dense mathematical formulas, its authors, Kenneth Arrow and Gerard DeBreu, endeavored to demonstrate that under the right economic conditions, prices will always find their natural level—which made their findings a far cry from Berle's, Means's, and Galbraith's argument that it was a good idea for government to set prices. No one who was not an academic economist may have read the Arrow-DeBreu article, but from 1948 on, millions of college students learned about economics from an introductory textbook by Arrow's relative by marriage, Paul Samuelson, which presented Keynesian economic management as gospel and was highly skeptical of Berle-style planning (and, in later editions, specifically made fun of Galbraith for being an unrigorous popularizer). After the war, academic economists, who usually thought in terms of how well markets functioned rather than how much power corporations had, had their own permanent office in the White House, the Council of Economic Advisors.

Still, the rise of the corporation was a massive, undeniable reality, and so was the government's establishment of some measure of dominion over it. After the war, President Harry Truman had proposed another great ratcheting up of government's role in American life, which he called the Fair Deal. The country was not in the kind of economic crisis that made anything the President wanted possible, as it had been in 1933, so major elements of the Fair Deal did not materialize: national health insurance, federal funding of public education, new laws that would strengthen the hand of organized labor. The United States declined to create the kind of comprehensive welfare state that most of the European countries had. That meant the corporation, successfully pushed into behaving like a social institution, *was* the American welfare state, at least for its employees. All the grumbling about

corporations made it easy to miss that they were now bearing a heavy non-economic load, and if that changed, there wasn't a real plan for what would take their place.

In the summer of 1970, a chest x-ray picked up an "infiltration" on one of Adolf Berle's lungs. Because Beatrice Berle was a doctor, and Adolf was a lifelong heavy smoker, they had no illusions about what the infiltration might be. The Berles decided not to get Adolf any aggressive medical treatment. Instead they would try to enjoy the time they had left together. They kept up their usual routine as much as they could: lectures, short vacation trips, holidays in the Berkshires. One morning in February 1971, in their house on Gramercy Park, as Beatrice remembered it, "Adolf and I sat down together hand in hand, enjoying a pink hyacinth brought down from the country." He was feeling better than he had recently. They had house guests, a prominent doctor and his family visiting from Brazil. There was a lively lunch. When it was over, Adolf rose from the table and collapsed. Beatrice recorded what happened next: "I picked up his right arm, then all four limbs—they were paralyzed. I ran upstairs to get adrenaline and a needle and shot the hormone into his heart, but in ten minutes, he was gone."

There was one more set of perils to the corporation and to Berle's idea of its role that he didn't see. They came from the market forces to which Berle, and most other liberal thinkers of his day, believed the corporation had become invulnerable. The biggest corporations could afford to operate large research labs; that, along with their supposedly effortless dominance of the mind of the American consumer, ensured that nobody but them could develop important and successful new products. They were not vulnerable to competition from abroad because, as Berle insisted for decades, no national government, including the United States's, would ever permit unimpeded access to its markets by foreign companies, or permit domestic companies to make their products overseas simply in order to reduce their labor costs. They were even more immune to pressure from stockholders than they had been back in the 1930s when Berle first proposed his theory of the corporation's historic separation of ownership and control. In 1959, Edward Mason, the dean of Harvard's public policy school, published a book of essays by prominent liberals called *The Corporation in Modern Society*, which reads as a kind of collective homage to Berle (who contributed a brief foreword). In his introduction, Mason summed up the situation this way: "Innovation at the hands of the small-scale inventor and individual entrepreneur has given way to organized research. The role of government in the economy persistently increases. The rugged individualist has been supplanted by smoothly efficient corporate executives participating in the group decision. The equity owner is joining the bond holder as a functionless *rentier*."

Adolf Berle Senior lived well into his mid-nineties: he was born in the 1860s and died in the 1960s, never ceasing to prod his son to offer more of the benefits of his insights to the world. Had Adolf Junior lived as long, he would have seen the

economic certainties of a lifetime, everything he was so celebrated for perceiving, blown apart. Perhaps it was better that he did not.