

1729 H Street, N.W.
Washington 6, D.C.

March 15, 1957

Mr. Adolph A. Berle, Jr.
142 E. 19th Street
New York, New York

Dear Adolph:

I am enclosing a rough draft of a foreword to the Japanese edition of the "Modern Corporation". I suggest that you go over it, making changes as you see fit and adding "that purple paragraph". Then, if there are any of your changes I don't like I will telephone you and we will work it out.

I suggest that you send the material, along with your photograph, to me % Committee for Economic Development, 1729 H Street, N.W., Washington 6, D.C. It will get to me quicker this way.

Sincerely,

Gardiner C. Means

P.S. If you don't like the general character of my draft, don't hesitate to start fresh.

This volume was written at a time which, in retrospect, was a turning point in the American enterprise system. It signaled the importance of the huge corporations with tens of thousands of workers and hundreds of millions of dollars of capital and hundreds of thousands of owners and millions of consumers in which control over the instruments of production rested in self-perpetuating bodies only indirectly subject to the control of any of the constituent groups. These great collectives had grown to such an extent that they gave a new character to the American economy and posed new problems for its operation.

Evolution in the twenty-five years since the book was published has confirmed the new shape and distinctive character of 20th century enterprise in the United States. It is no longer the system of private capitalism of the nineteenth century. It is not a system of socialist enterprise. It does not show the characteristics of Lenin's monopoly capitalism. It is something new and might well be called a system of "collective capitalism".

Some of the imperatives of collective capitalism have become apparent and led to changes in ways of thinking and in economic institutions. It is recognized that government must take positive responsibility for maintaining reasonably full employment through its monetary, fiscal and other measures; and agencies of economic planning have been set up to deal with this problem. It is recognized that government must take responsibility for minimizing the hardships on individuals arising from the imperfect workings of the economic system in the presence of the great corporate giants; and an extensive system of social security has been established. It is recognized that corporate control must be or be made to be more responsible in financial matters; and institutions have been set up to serve this purpose. It is recognized that labor must play a larger part in determining economic relationships; and the extensive organization of labor has

been encouraged. It is recognized that mass markets are an essential to the effective functioning of the system and various of the above measures have contributed to this purpose as have the income tax measures aimed at reducing the inequalities of income.

The tremendous productive power of collective capitalism and its ability to create mass markets within a country have been clearly demonstrated in the United States. In the past twenty-five years real wages per hour for the average worker have doubled and the quality of living has risen by more than this. Also the rate of increase has, if anything, accelerated.

Of course, the problems created by collective capitalism have by no means been completely solved. Even for those listed above there is much room for further development. Any many problems of collective capitalism have not yet been solved or perhaps even fully recognized. How can the dangers arising from the concentration of power in the big corporate giants be avoided? How far can competition be expected to insure that the activities of the corporate giants will serve the public's interest? What is the effect of corporate oligopoly and administered prices on the direction of resource use? How can planning be used in a democracy in matters other than those concerned with full employment? These are some of the problems created by collective capitalism which require solution.

Finally, collective capitalism has made obsolete, not only the classical laissez-faire analysis, but also the Marxian analysis of capitalism, with its assumption of class struggle and the breakdown of the system for lack of markets. Instead of the poor getting poorer and the rich getting richer, the poor have been moving to the living level of the former middle class and the proportion of incomes going to the rich has declined. Instead of imperialistic expansion in order to find markets, the system has created mass markets within the country and depends proportionally less and less on foreign markets except as a source of raw materials. Instead of

increasing fluctuations in employment which threaten social disruption, methods for maintaining employment have been developed so that for the first time in modern history a major war has not been followed by a major depression. Instead of bitter class struggle, labor and management cooperate in increasing productivity on which higher levels of worker and management income depend. The economic system in America has evolved out from under the basic Marxian conception of owner-operated factories and an economic surplus appropriated by the owners. Whether or not their conceptions were ever valid, they clearly do not apply to a system in which corporate ownership is so dispersed that owners do not control the instruments of production and modes of thought and social institution develop to make corporate management responsible to broader interests than those of owners alone.