

The Chemistry Must Be Right: The Privatization of Buna Sow Leuna Olefinverbund GmbH, 1990–2000. *By Rainer Karlsch and Raymond Stokes.* Berlin: Buna Sow Leuna Olefinverbund GmbH and Edition Leipzig, 2001. 252 pp. Tables, photographs, maps, illustrations, appendix, notes. Cloth, no price. ISBN 3-361-00508-6.

Reviewed by Kees Gispem

In a paper on the cost of German unification excerpted in the May–June 1996 issue of the World Bank’s online *Transition Newsletter*, economist Jan S. Prybyla writes:

With a view to corporate takeover, Volkswagen AG sent a Herr Heuss to Zwickau to find out how the Trabants [relatively cheap, East German cars] were made there. He emerged shocked from the huge plant, babbling “My God!” The Trabant operation was value-subtracting: valuable material, labor, and capital inputs went in at one end; shabby Trabies came out at the other, their bodies made from compacted trash. The final output was worth less than the sum of the inputs. What was not fully understood at the time was that East Germany’s whole economy was value-subtracting and cost-unconscious.

It would be difficult to find a better demonstration of the truth of this observation—and the epic proportions of the effort to remedy the problem—than Rainer Karlsch and Raymond Stokes’s case study of privatization in the East German chemical industry. If the German Democratic Republic’s automobile industry was a disaster, its chemical industry was a greater problem still. By 1995, when car manufacturing had adopted Western standards and 2,000 workers produced 250,000 competitive Volkswagen Polos per year where once 12,000 had built 160,000 smoke-belching Trabants, the future of the chemical company examined by Karlsch and Stokes remained very much in doubt. It would take another five years and billions of additional marks in government subsidies and funds to clean up the environment, before Buna Sow Leuna

Olefin Combine (BSL), today a wholly owned subsidiary of Dow Chemical, reached a comparable stage of modernization.

Not surprisingly, the unprecedented amounts of government aid to private investors, dispensed largely through the *Treuhandanstalt* (a government trustee agency set up in 1990 to privatize East Germany's companies), generated enormous controversy. Many doubted the wisdom of spending more to resuscitate moribund large-scale industry in the East than it would have cost to shutter it permanently, retrain the workforce, and pay unemployment benefits. In the end, the jobs saved were but a small fraction (10 to 20 percent) of employment in GDR times. The new, ultramodern plants, erected at enormous expense on the ruins of the old, distort competition with other Western firms. West Germans resent the massive budget deficits and tax increases; East Germans are angry about their vanished jobs.

Another controversy concerns the Treuhand's privatization strategy of direct negotiation with potential investors in the crumbling dinosaurs of East German industry, particularly the opportunity for abuse and bribery it created. Best known in this regard are allegations that former chancellor Helmut Kohl accepted money from the French oil company Elf Aquitaine in return for its 1992 acquisition of the Leuna petrochemical works and the valuable chain of Minol gas stations as well as massive subsidies to construct a new refinery.

Although some of these questions have since been answered, allegations and suspicions of foul play continue to swirl around the industrial restructuring in Germany's new federal states. It appears that the publication of *The Chemistry Must Be Right* is not unrelated to this state of affairs. For this is no ordinary scholarly book. Lavishly illustrated with some 160 glossy photographs, most of them in color and many from the company archive or publicity department, and with maps, graphs, and tables from the same sources, the work was financed, edited, and published by BSL itself. As an in-house production, the study seems designed in part to forestall criticism and counter the kind of negative publicity that has haunted so many of Germany's large companies in the past and now also surrounds privatization, including Dow's role and motives. It is also a kind of academic *glasnost*, like that embraced in recent years by several other German

firms, which have opened their archives to reputable outside scholars and invited them to set the record straight.

BSL could not have found better authors for its purposes than Karlsch and Stokes. Both are respected experts in the history of the German chemical and petrochemical industries and GDR history. They received excellent support and good access to the relevant company documents. Above all, they had an opportunity to interview at length most of the actors (management, labor, and government) directly involved in the events that led to the formation of BSL and its takeover by Dow in 1994–95. The interviews constitute perhaps the most valuable aspect of their work. The resulting book makes a persuasive case for the view that, given the larger historical background and sociopolitical decisions of 1989–90, the privatization of BSL was, on balance, a job well done. Moreover, the fundamental choice to reject the region's deindustrialization was the right one.

Karlsch and Stokes recognize the provisional nature of their verdict. Between 1990 and 1998, some 46 billion marks were spent on the modernization and environmental cleanup of the “chemical triangle” (originally the area bound by Halle, Merseburg, and Bitterfeld). Coal-based chemistry was terminated and the transition to petrochemistry, which the GDR had never quite managed, was completed. A new pipeline from Rostock to Böhlen eliminated the handicap of a landlocked location. A fabulous infrastructure and a new industrial park were created at Buna. The region's chemical industry has been fully integrated into the world economy. New autobahn connections are under construction. Dow Chemical has played its part, going far beyond simply taking advantage of subsidies. It has assumed substantial risk, invested its own money, and provided invaluable leadership, thus becoming the linchpin of the entire project. But as with Volkswagen's takeover in Zwickau, most of the jobs have disappeared (falling from 18,000 in 1990 to 2,200 in 2000). The new industrial park at Buna is still mostly empty, waiting for investors. Critics maintain that the Treuhand destroyed more than it created. Only the future will tell whether the gamble was worth it. But there are hopeful signs: BSL retained a research function, which has recently become more important. The regional culture, politicians, workforce, and labor leaders are strongly supportive of “their” chemical industry. The basis for future growth is there.

On balance, and after several false starts in the early 1990s, the authors conclude, “The chemistry ‘is right’ at BSL” (p. 247).

The chemistry may be right, the book’s argument sound, and its scholarship impressive, which is not to say those responsible for the volume’s physical production were entirely up to the task. The book, also available in a German edition, has more than its share of typographical errors, misspellings, and copyediting problems, and in places the text is awkwardly written. These are minor flaws in a specialized work, but more should have been done to fix them. Another weakness concerns Karlsch and Stokes’s overly schematic discussion of the “Americanization of corporate culture” in connection with Dow’s takeover of BSL. They rightly point out that BSL broke with the autarkic pattern inherited from the past and adopted a less hierarchical type of management–labor relationship, but one wishes they had explored more fully the idea that BSL might also (or instead) have become “West-Germanized,” and what the differences, if any, might entail. These are small quibbles with a study that deserves a wider readership in this country than it is likely to receive.

*Kees Gispén is professor of history and international studies at the University of Mississippi. He is the author of New Profession, Old Order: Engineers and German Society, 1815–1915 (1990) and Poems in Steel: National Socialism and the Politics of Inventing from Weimar to Bonn (2001), a study of the rights of inventors and the reform of patent law in Germany from the late nineteenth century to the 1950s. He is currently working on a general interpretation of twentieth-century European history.*