German industry and global enterprise: BASF, the history of a company, by Werner Abelshauser (et al.) [review]

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This study of the history of BASF, one of the renowned trio of outstanding German chemical companies, is without doubt a major achievement on the part of the team of four economic historians, assembled by Werner Abelshauser. It will be of considerable interest to students of chemistry, business and economic history and politics alike. There are perceptible faults in its narrative, some of them clearly determined by the fact that the research project was funded by BASF itself, but it would be entirely wrong to dismiss the four contributions as hagiography. Even within a perspectivistic account which relies heavily on BASF archive material, the story that emerges from this volume is both scholarly and compelling, exposing the extensive detail of primary sources to further interpretation by informed and lay readers alike.

The book is compelling because it is not simply a study of the company’s contribution to industrial processes, its specific corporate culture, its relationship with financial institutions, its skills tradition and its industrial relations. It is the history of a company in a period of unparalleled economic and political upheaval (1865-2004), in which Germany’s political institutions see-sawed from one state-form to another – pre-unification absolutist separatism, post unification federal autocracy (1870-1918), federal republic (1918-1933), centralised autocracy (1933-1945) and federal republic (1949-date) – and great enterprises adapt to and influence political affairs profoundly.

BASF belongs to the wave of industrial corporations, born of the ‘second industrial revolution’, which was founded in the technologies of organic and inorganic chemistry, electro-technology and automotive engineering. In many respects it epitomised the symbiosis of scientific skill and entrepreneurialism that has been a key quality of German corporate governance. If one adds to this the role of Germany’s universal banks – in the case of BASF predominantly the Deutsche Bank – the two key elements of commercial success in a capital- and research-intensive industry are clear to be seen: innovation and product development are managed by graduate chemists and engineers, underpinned by the long-term equity commitment of one or more major bank. The shareholders’ functional, short-term view – already evident in British corporate culture in the last quarter of the 19th century – is conspicuously absent from the supervisory board of BASF and other German corporations in the crucial early period of development.

Wolfgang von Hippel charts the history of BASF up to the turn of the century, in the period dominated by the development of synthetic dyestuffs from Alizarin to Indigo, paying particular attention to the contentious field of industrial patenting, in which the companies
scientists were both poachers and gamekeepers. Comparatively little attention is paid to the company’s ambivalent view of free trade and its involvement in state politics. Jeffrey Allan Johnson’s chapter, ‘The Power of Synthesis’, in contrast reveals the central role of BASF and the chemical industry in general in the emerging political economy of the pre-war empire, where the development of synthetic ammonia ensured the ability of Germany’s war economy to compete strategically with its opponents; ‘how very different would world history have come out then’, asked Alwin Mittasch, a key contributor to the refinement of synthesising ammonia, had they not succeeded. The data for turnover and profits in the book’s Appendix indicate the company’s strong expansion before and during the First World War.

In addition to the mayhem generated by defeat and hyperinflation after the war, the catastrophic explosion at the Oppau works killed more than 550 people and, because of insufficient compensation and – according to the unions – a perilous system of productivity incentives produced a radicalised workforce. The company nevertheless survived the inflation surprisingly well and it was only the tightening of monetary policy after stabilisation that the pressure to consolidate the industry’s affairs increased, culminating in the merger of BASF with Hoechst and Bayer to form IG-Farben in 1925.

The chapter by Raymond Stokes covering the period from the creation of the IG-Farben conglomerate to the reestablishment of BASF AG in 1952 was always going to be the most contentious, as it covers aspects of the company’s history which have been extensively researched by other scholars. It nevertheless succeeds in avoiding anything remotely like exculpation. The central role of BASF figures like Carl Krauch and Max Ilgner in the Nazi state apparatus, notably the Four-Year-Plan office, company complicity in the illegal employment of prisoners-of-war in German plants and, above all, the brutal exploitation of slave labour in IG-Auschwitz are dealt with in some detail. The reader might regret the absence of a closer examination of the suffering and deaths in the IG-Farben’s own camp, but there is ample evidence of war crimes to understand the background to the Nuremberg trials of 23 IGF executives in the spring of 1947 and to raise an eyebrow at the remarkable continuity of both the company’s elite and that of its house bank and co-owner, Deutsche Bank.

The final chapter, by Werner Abelshauser, charts the rapid revival and expansion of the reconstituted BASF in the utterly new economic environment of the 1950s and beyond. The adaptability of all three successor corporations to the circumstances of tariff disarmament and global competition after decades of mercantilism, cartelisation and finally fanatical autarky is striking. The winning recipe of strong science, highly skilled labour-force and long-term financing helps to explain why the company masters the transition to petro-chemicals and polymer technology, overcomes sporadic structural crises, plays a pioneering role as a major German transnational corporation and
manages the most recent consolidation of the company’s core activities. Innovative science, modern and flexible production structures, together with the strategic acquisition of market power as both oligopoly and monopsony are revealed as the core strengths of BASF in this fascinating and rewarding study. It is difficult to do justice to this book in a short review, but there is little doubt in this reviewer’s mind that it can be highly recommended.

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