

ARTICLE

## Sovereignty Trade-Offs between Politics and the Economy: The Deconcentration of IG Farben after 1945

Philipp Müller

Hamburg Institute for Social Research, Hamburg, Germany  
Email: [Philipp.Mueller@his-online.de](mailto:Philipp.Mueller@his-online.de)

### Abstract

The postwar deconcentration of IG Farben AG shows that the Allied military governments and their German counterparts were anything but united on the extent and form of sovereignty the Federal Republic of Germany should receive. The American plan to divide the corporate enterprise into a large number of individual companies aimed to establish a democratic state independent from the influence of domestic business. By contrast, West German government officials and the business community were convinced that the future sovereignty of the Federal Republic depended on the global competitiveness of large industrial conglomerates. To thwart the American deconcentration plans, they traded off one dimension of sovereignty against the other. Leading members of the West German government accepted delegating the negotiations over the future of IG Farben to business representatives, thereby sharing domestic sovereignty because the delegation promised to maintain a powerful German chemical industry that could support the trade balance of the future West German state. This development contributed to the emergence of a Federal Republic characterized by the close involvement of economic actors in political decision-making. It contained important elements of a post-democratic sovereignty, which is commonly used to describe the development of the late twentieth century.

**Keywords:** deconcentration; IG Farben; democracy; embedded liberalism; coordinated capitalism

At the Potsdam Conference in August 1945, the Allied governments agreed that “the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements.”<sup>1</sup> One of their main targets was the break-up of the corporate enterprise of IG Farben AG. The Allies and West German authorities subsequently debated how to implement the Potsdam principles, demonstrating that the project of economic deconcentration and decartelization was directly linked to fundamental political issues. When the process actually began, different conceptions of domestic and external sovereignty interacted with one another and lent a specific dynamic to the dissolution of large industrial conglomerates in West Germany. Actors on both sides appealed to divergent ideas of a future sovereign West German state when they tried to put their plans for economic restructuring into practice. Whereas Allied efforts to deconcentrate the West German chemical industry relied on the idea of a state whose sovereignty consisted in its independence from the influence of large economic companies, West German actors considered it more important to secure state sovereignty based on globally competitive industrial producers.

---

<sup>1</sup> Potsdam Agreement. Protocol of the Proceedings, August 1, 1945, Article 12.

Drawing on the concept of sovereignty provides a new perspective on the factors shaping the political economy of the early Federal Republic of Germany. It underscores recent demands to reconsider established narratives of the postwar period by paying closer attention to the conflicts over different paths to rebuild West Germany.<sup>2</sup> A decisive question in this respect was the transformation of the German economy and its ability to support sovereign democratic statehood. As the war economy still left visible traces and the Allied powers sought control over economic activities in their occupation zones, shaping state-business relations became a general focus of attention. In this respect, the question of state autonomy and sovereignty was paramount, but also open for divergent interpretations.

According to a dominant view, American influences changed the emerging West German economic order of the late 1940s and 1950s, a process commonly summarized as “Americanization.”<sup>3</sup> Over the past two decades, historians have questioned the concept of “Americanization,” not the least because it has been associated with different phenomena—from consumption culture to market economy and industrial production methods.<sup>4</sup> Scholars working within the paradigm of “Americanization” have described a progressive convergence of German business around capitalist practices akin to the American model. On the other hand, the *Varieties of Capitalism* approach has nuanced the idea of an American model that spread in the Western world after 1945 by highlighting persistent differences among national economic structures.<sup>5</sup> Adherents of the *Varieties of Capitalism* approach recast Americanization as a process that involved multiple actors who selectively adopted some American technologies or management methods but modified them according to their own needs and traditions.<sup>6</sup>

By focusing on the significance of state sovereignty, this article draws attention to a key dimension in this discussion that has received little attention. Highlighting sovereignty provides a conceptual basis that clarifies an apparent inconsistency in the debate. Regarding the sovereignty of the West German state, both positions produce a paradoxical characterization. Advocates of the classic Americanization thesis emphasize the importance of state actors for implementing a market economy in the early Federal Republic.

<sup>2</sup> Karen Hagemann, Konrad H. Jarausch, and Tobias Hof, “Introduction: Burdens and Beginnings: Rebuilding East and West Germany after Nazism,” *Central European History* 53, no. 2 (2020): 275–93; Frank Biess and Astrid M. Eckert, “Introduction: Why Do We Need New Narratives for the History of the Federal Republic?,” *Central European History* 52, no. 1 (2019): 1–18.

<sup>3</sup> Richard F. Kuisel, “The End of Americanization? Or Reinventing a Research Field for Historians of Europe,” *Journal of Modern History* 92, no. 3 (2020): 602–34; Ariane Leendertz, “Zeitbögen, Neoliberalismus und das Ende des Westens, oder. Wie kann man die deutsche Geschichte des 20. Jahrhunderts schreiben?,” *Vierteljahrshefte für Zeitgeschichte* 65, no. 2 (2017): 191–217; Ralf Ahrens, “West German Business and American Challenges, 1945 to the Present,” in *German Zeitgeschichte. Konturen eines Forschungsfeldes*, ed. Thomas Lindenberger/Martin Sabrow (Göttingen: Wallstein Verlag, 2016), 172–92; Anselm Doering-Manteuffel, *Wie westlich sind die Deutschen? Amerikanisierung und Westernisierung im 20. Jahrhundert* (Göttingen: Vandenhoeck & Ruprecht, 1999); Philipp Gassert, “Amerikanismus, Antiamerikanismus, Amerikanisierung. Neue Literatur zur Sozial-, Wirtschafts- und Kulturgeschichte des amerikanischen Einflusses in Deutschland und Europa,” *Archiv für Sozialgeschichte* 39 (1999): 531–61.

<sup>4</sup> Mary Nolan, “Rethinking Transatlantic Relations in the First Cold War Decades,” *German Historical Institute Washington Bulletin*, supp. vol. 10 (2014): 19–38; Volker Berghahn, “The Debate on ‘Americanization’ Among Economic and Cultural Historians,” *Cold War History* 10, no. 1 (2010): 107–30.

<sup>5</sup> Peter A. Hall and David Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press 2001).

<sup>6</sup> Volker Berghahn, “Zur Amerikanisierung der westdeutschen Wirtschaft,” in *Vom Marshallplan zur EWG. Die Eingliederung der Bundesrepublik Deutschland in die westliche Welt*, ed. Ludolf Herbst, Werner Bühner, and Hanno Sowade (Munich: Oldenbourg, 1990), 227–56; Marie-Laure Djelic, *Exporting the American Model: The Postwar Transformation of European Business* (Oxford: Oxford University Press, 2001); Mary Nolan, “Varieties of Capitalism and Versionen der Amerikanisierung,” in *Gibt es einen deutschen Kapitalismus? Tradition und globale Perspektiven der sozialen Marktwirtschaft*, ed. Volker R. Berghahn and Sigurd Vitols (Frankfurt/Main and New York: Campus, 2006), 96–110; Harm G. Schröter, *Americanization of the European Economy: A Compact Survey of American Economic Influence in Europe since the 1880s* (Dordrecht: Kluwer Academic Publishers 2005), 4–5.

From their perspective, the West German administration ensured the establishment of a new economic order modeled on the American example. Although the state seems to wield sovereign authority over the shape and form of the domestic economy, at the same time, this authority emerges from the Allies' external interference with national sovereignty. The alternative perspective of a selective reception of the American model stresses the importance of nonstate actors, especially from the business sector, who were able to circumvent or reinterpret the policies of state authorities. Although this description appears to imply a weakening of state sovereignty, it seems to defend national economic decision-making against external American influence. Although in opposite ways, both perspectives thus assert the strengthening and weakening of nation-state autonomy and sovereignty at the same time.

This puzzle can be resolved by incorporating recent discussions on sovereignty that stress the malleability of the concept.<sup>7</sup> In the following, I understand the concept of sovereignty as a category that orientated the strategies and plans of historical actors. In this sense, it is not important whether components of state sovereignty are actually realized but rather whether they serve as conceptual aspirations that guide plans and strategies. Stressing the actor's perspective transforms the concept of a sovereign state that is free to pursue its own domestic policies without being subjected to the control of others into a regulative idea in the minds of individuals. According to this understanding, the actors' different strategies to follow their aspirations lead to divergent interpretations of sovereignty. Particularly, depending on the goal, they balance internal and external aspects of sovereignty against each other: strengthening domestic sovereignty might only seem achievable if the external sovereignty of the state is weakened and vice versa.<sup>8</sup> These trade-offs can become particularly attractive when opposing ideas of sovereignty clash and produce strategies in conflict with one another.

In the following, I argue that the Allied military governments and their German counterparts were anything but united on the extent and form of sovereignty the Federal Republic should receive when the deconcentration of the West German industry was at stake. West German government officials and business representatives cooperated in order to alter and, in some cases subvert, Allied plans.<sup>9</sup> I focus on the dissolution of IG Farben to show that sovereignty was a driving motive for each side to follow opposing views. The American plan to divide the corporate enterprise into a large number of individual companies aimed to establish a democratic state independent from the influence of domestic business. By contrast, West German government officials and the business community were convinced that the future sovereignty of the Federal Republic depended on the global competitiveness of large industrial conglomerates. To thwart the American deconcentration plans, they traded off one dimension of sovereignty against the other. Leading members of the West German government like Hermann Pünder accepted delegating the negotiations over the future of IG Farben to business representatives, thereby sharing domestic sovereignty because this promised to maintain a powerful German chemical industry that could support the trade balance of the future West German state. Business representatives agreed and used their function within the dissolution process of IG

<sup>7</sup> Thomas J. Biersteker, "State, Sovereignty, and Territory," in *Handbook of International Relations*, 2nd ed., ed. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: Sage Publications, 2012), 245–72; Michael Zürn and Nicole Deitelhof, "Internationalization and the State. Sovereignty and the External Side of Modern Statehood," in *The Oxford Handbook of Transformations of the State*, ed. Stephen Leibfried, Evelyne Huber, Matthew Lange, Frank Nullmeier, and John D. Stephens (Oxford: Oxford University Press, 2015), 193–217.

<sup>8</sup> Stephen Krasner, *Sovereignty. Organized Hypocrisy* (Princeton, NJ: Princeton University Press 1999), 20–22.

<sup>9</sup> For previous accounts of the deconcentration process, see Günther Schulz, "Die Entflechtungsmassnahmen und ihre wirtschaftliche Bedeutung," in *Kartelle und Kartellgesetzgebung in Praxis und Rechtsprechung vom 19. Jahrhundert bis zur Gegenwart*, ed. Hans Pohl (Stuttgart: Franz Steiner Verlag, 1985), 201–28; Hans-Dieter Kreikamp, "Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgesellschaften," *Vierteljahrshefte für Zeitgeschichte* 25, no. 2 (1977): 220–52.

Farben to extend their influence on government policies. Appointed as economic experts of the IG Farben Dispersal Panel (FARDIP), they maintained that sharing control over the development of the West German economy with government agencies was necessary to protect the domestic sovereignty of the state against the influence of political parties and the parliament.

In the following I will first explain the orientation of the Allied deconcentration plans by the idea of sovereignty inherent in their vision of embedded liberalism. This idea corresponded to a large degree with *ordo-liberal* concepts of prominent German economists who became consultants of the West German economic administration. I then describe an alternative idea of sovereignty among German business representatives who were given the task of drawing up plans for the practical deconcentration of the West German chemical industry. Finally, I will show how business representatives and senior officials in the West German administration cooperated to undermine Allied plans for deconcentration. This development contributed to the emergence of a Federal Republic characterized by the close involvement of economic actors in political decision-making. On the one hand, this constellation was oriented toward securing the external economic sovereignty of the state. On the other hand, it contained important elements of a post-democratic sovereignty domestically, which is commonly used to describe the development of the late twentieth century.

### Deconcentration and State Sovereignty in Embedded Liberalism

In its law number 9, passed on November 30, 1945, the Allied Control Council seized the property of IG Farben and ordered the establishment of a committee that was supposed to supervise the dispersion of the conglomerate and the termination of cartel relationships. The Allies initially conceived the crushing of the power of big industry, like IG Farben or Vereinigte Stahlwerke, as a decisive measure to restrict German capacities for future military aggression. Given the conviction that large-scale industry, in general, and IG Farben, in particular, had formed the economic basis for Nazi rearmament and warfare, the intervention in the national industrial structure seemed the only promising way to secure future peace in Europe. But in the following years, it seemed more important to cope with immediate economic difficulties than to take concrete steps toward economic restructuring. At the same time, the growing tensions among the Allies and disagreements within the American military government about the basic direction of the future economic order in Germany prevented rapid action.<sup>10</sup>

Eventually, the American administration and business community came largely to support an economic recovery strategy inspired by American anti-trust legislation and the plans for a new postwar international order.<sup>11</sup> The US Department of Justice Antitrust Division under the Roosevelt administration had already investigated the market positions of and relationships between German and American firms in the 1930s. One of their main targets became IG Farben because of its dominance in various fields of the chemical industry, including ammonia and synthetic fuel production. From this point of view, IG Farben epitomized the bad version of capitalism—its economic power demonstrated the dangers of monopolies, cartels, and corporate conglomerates if they developed without intervention. During the postwar years, advocates of radical trust-busting lost much of their influence, but leading American officials, and particularly the military governor of the American

<sup>10</sup> Kreikamp, "Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgegesellschaften," 220–52; Diethelm Prowe, "Economic Democracy in Post-World War II Germany: Corporatist Crisis Response 1945–1948," *Journal of Modern History* 57, no. 3 (1985): 451–82; Werner Plumpe, *Vom Plan zum Markt. Wirtschaftsverwaltung und Unternehmensverbände in der britischen Zone* (Düsseldorf: Schwann, 1987).

<sup>11</sup> Lisa Murach-Brand, *Antitrust auf Deutsch. Der Einfluß der amerikanischen Alliierten auf das Gesetz gegen Wettbewerbsbeschränkungen (GWB) nach 1945* (Tübingen: Mohr Siebeck, 2004).

occupation zone, Lucius D. Clay, insisted on the creation of a “free enterprise economy” in West Germany based on competition.<sup>12</sup> This concept of a market economy, liberated from restrictive practices like cartels, was intimately linked to the foundation of a sovereign democratic state on the one hand, and a new international economic regime on the other.

Representatives of the Economics Division of the Office of Military Government, United States (OMGUS) hoped that reforms in line with the American antitrust tradition would modernize not just economic structures, but also the West German political system. Given a looming conflict with the Soviet Union, the Truman administration saw rebuilding the German economy as part of shaping a future ally around Western economic and political principles. Therefore, the European Recovery Program’s measures to revive the coal and steel industries of the Ruhr and other industrial branches offered an instrument to form a democratic state in alignment with the United States.<sup>13</sup> From this perspective, free enterprise contributed to the creation of a pluralistic society and its political representation in a parliamentary democracy. The assistant director of the deconcentration branch of OMGUS, Charles Dilley, believed that a precondition for establishing a liberal democracy was to replace the dominance of monopolies and cartels in the German market with companies competing with one another. The independence of a democratic government and the free development of its citizens, he held, could be guaranteed only if the ominous influence of economic power was held at bay.<sup>14</sup>

This vision of West Germany’s industrial structure was based on a conception of the state that weighed dimensions of external and internal sovereignty in a particular way. The specific view on their relationship arose from the rejection of orthodox liberal ideas in favor of an “embedded liberalism,” sustained by the monetary agreements of Bretton Woods.<sup>15</sup> In contrast to a liberal free trade regime, postwar liberalism depended on a balance between international economic multilateralism and the creation of a political and economic environment that ensured the domestic stability of the participating states. In this model, governments should be able to assume responsibility for social security at home and manage international economic transactions in collaboration with others in order to prevent negative domestic repercussions. In other words, the external sovereignty of the individual state was circumscribed by submitting it to the rules of a multilateral trade community according to American principles.<sup>16</sup> But limiting the external discretion of the state through its integration into an international economic order was not supposed to take precedence over the state’s internal tasks. Rather, as economists like Ragnar Nurkse stressed, the postwar economic multilateralism should be based on domestic state interventionism. In this picture, restricting external economic sovereignty was coupled with building up the domestic sovereignty of a democratic state.<sup>17</sup>

<sup>12</sup> Djelic, *Exporting the American Model*, 104–05; Raymond G. Stokes, *Divide and Prosper: The Heirs of I.G. Farben Under Allied Authority, 1945–1951* (Berkeley: University of California Press, 1988), 42–45; Volker Berghahn, *Unternehmer und Politik in der Bundesrepublik* (Frankfurt/Main: Suhrkamp, 1985), 88–92.

<sup>13</sup> Melvyn P. Leffler, “The Emergence of an American Grand Strategy, 1945–1952,” *The Cambridge History of the Cold War*, vol. 1, *Origins*, ed. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010): 67–89; Ludolf Herbst, *Option für den Westen. Vom Marshall-Plan bis zum deutsch-französischen Vertrag* (Munich: Deutscher Taschenbuch Verlag 1989): 44–48.

<sup>14</sup> The deconcentration program, Dilley explained, should help to establish “a society of free enterprise in Germany ... [because] ... lasting political democracy is impossible unless accompanied by economic freedom.” See Charles Dilley, Objectives of the Decartelization Program, November 1947. Quoted in Djelic, *Exporting the American Model*, 163.

<sup>15</sup> John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36, no. 2 (1982): 379–415.

<sup>16</sup> In this respect, the former assistant attorney general in the Department of Justice, Thurman Arnold, argued that the nineteenth-century notion of sovereignty should no longer stand in the way of the necessities of the twentieth century. See Thurman Arnold, “The Preservation of Competition,” in *The Future of Democratic Capitalism* (Philadelphia: University of Pennsylvania Press 1950), 1–14.

<sup>17</sup> Ruggie, “International Regimes, Transactions, and Change,” 393–96.



In accordance with these premises, by early 1948, OMGUS had become convinced that a lasting new form of the West German economic order was possible only if the Germans were included in the process. It would seem, at first glance, that the establishment of the Second Economic Council of the united American and British occupation zones (Bizone) in March 1948 was pivotal in this respect. Research has credited the new director for economic affairs and later chancellor, Ludwig Erhard, with supporting American ideas and implementing the concept of ensured economic competition. In this perspective, transferring responsibilities to German actors is cast as the American cooptation of brothers in spirit, especially because of Erhard's affinity to ordo-liberal concepts of the Freiburg school.<sup>18</sup> For contemporary adherents of ordo-liberalism like Walter Eucken, Franz Böhm, and Alfred Müller-Armack, the existing forms of economic monopoly power were the core problem that prevented the emergence of a functioning market economy. Establishing a new economic structure based on competition, leading ordo-liberal figures declared, depended on the state disempowering of dominating economic players through an effective anti-monopoly policy.<sup>19</sup>

On closer examination, however, the influence of ordo-liberal concepts on the political economy of the early Federal Republic, in general, and the process of industrial deconcentration, in particular, has to be reassessed.<sup>20</sup> Even if one disregards the internal ambivalences among members of the group and their increasing deviation from a strict line of competition policy, none of Erhard's advisers received a relevant position when the restructuring of the German industry finally began. Although Erhard was successful in installing an intellectual think tank of ordo-liberals close to the Frankfurt Economic Council, his efforts to gain a say in the Allied plans for industrial reform remained largely fruitless. Erhard complained repeatedly that American and British officials continuously ignored his demands to include the German administration in preparing the deconcentration and decartelization process. Several official requests from the Frankfurt Economic Council were not approved.<sup>21</sup> In September 1948, when the American and British military government discussed concrete plans, Erhard argued in vain that "without the decisive involvement of a bi-zonal central agency in the implementation of decartelization and deconcentration, the reconstruction of the economy of the United Economic Area according to democratic principles cannot be guaranteed."<sup>22</sup> The plans for the division of IG Farben plants were no exception to the exclusion of the West German administration. When Hermann Pünder, chairman of the Economic Council, suggested establishing an official link between the IG Farben Dispersal Panel (FARDIP) and German government agencies, he met with categorical opposition from the Allies.<sup>23</sup> A graph from the summer of 1948 reflected the West German government's perception of this situation by listing the individual industrial branches affected by the Allied deconcentration plans under the heading "German economy outside of German influence."<sup>24</sup>

<sup>18</sup> Djelic, *Exporting the American Model*, 107–11; Anthony J. Nicholls, *Freedom with Responsibility. The Social Market Economy in German 1918–1963* (Oxford: Clarendon Press 1994), 206–33.

<sup>19</sup> Ralf Ptak, *Vom Ordoliberalismus zur Sozialen Marktwirtschaft. Stationen des Neoliberalismus in Deutschland* (Opladen: Leske + Budrich, 2004), 174–81.

<sup>20</sup> Abelshäuser and Kopper emphasize the slow and hesitant rapprochement of the West German parties to ordo-liberal suggestions in the postwar years. Werner Abelshäuser and Christopher Kopper, "Ordnungspolitik der sichtbaren Hand," in *Das Bundeswirtschaftsministerium in der Ära der Sozialen Marktwirtschaft. Der deutsche Weg in die Wirtschaftspolitik*, ed. Werner Abelshäuser (Berlin and Boston: De Gruyter Oldenbourg, 2016), 25–26.

<sup>21</sup> Antrag des Ausschusses für Wirtschaft. Betr. Dekartellisierung, Frankfurt/Main April 27, 1948 (Drucksache Nr. 285), in *Wirtschaftsrat des Vereinigten Wirtschaftsgebiets. Drucksachen 1948*, 506–07. See also Berghahn, *Unternehmer und Politik in der Bundesrepublik*, 105.

<sup>22</sup> Ludwig Erhard, letter to Hermann Pünder, September 9, 1948, in *Akten zur Vorgeschichte der Bundesrepublik Deutschland 1945–1949*, vol. 4, ed. Hans-Dieter Kreikamp and Bernd Steger (Munich and Vienna: Oldenbourg, 1983), 768, reference 9. German quotations are reproduced in English translation. All translations are my own.

<sup>23</sup> Document no. 90 (32. Direktorsitzung in Frankfurt, October 5, 1948), in *Akten zur Vorgeschichte der Bundesrepublik Deutschland 1945–1949*, vol. 4, 839.

<sup>24</sup> Bayer Archiv Leverkusen. IG Entflechtung FARDIP C4/31.8. Bemerkungen an den Verwaltungsrat des Vereinigten Wirtschaftsgebiets zum BICO Memo (48) vom 5.8.1948, August 25, 1948, 7.

Both the German advances and the rejection by Allied authorities must be seen against the background of the shared conviction that the reorganization of IG Farben was an issue intimately connected with the economic and political shape of the future Federal Republic. The American military government wanted to ensure that conflicting political interests on the German side did not interfere with their plans to establish a West Germany democratic state, open for multilateral trade relationships on a global market. Therefore, in their official announcements, they presented the division of IG Farben as a purely economic and technical matter. They refused to include actors who were related to West German political institutions and only accepted the collaboration of German business representatives who brought the economic expertise necessary to transform one of the biggest global corporate enterprises into smaller units. The Bipartite Farben Control Office, responsible for supervising the process, even rejected the idea of keeping a representative of the German Economic Council informed of the ongoing project on the grounds that “official links between the two bodies should not exist.”<sup>25</sup>

This directive lent a dynamic to the further development that I will explain in greater detail in the following sections. As a reaction to the deconcentration plans, German government and business representatives cooperated with one another and relied on a concept of sovereignty that contradicted Allied ideas. When faced with the choice either to accept the scheme of the military government or to follow their own convictions, German officials were ready to swap different aspects of sovereignty. They believed that the external sovereignty of the West German state had to be supported by the preservation of large industrial complexes. To this end, they were prepared to make concessions with regard to the domestic sovereignty of the state in favor of joint state-business control. The West German administration relied on business representatives to negotiate the planning of IG Farben deconcentration with the Allies, thus delegating an important field of policymaking to economic actors. This strategy was supported by members of the business community, not only because they were equally convinced of the necessity of a competitive export industry but also because they understood their endeavors as protecting cardinal economic affairs against the influence of parliamentary politics. Because of their position as economic experts in the deconcentration process, they did not owe any responsibility to elected political institutions. Propelled by opposing Allied views, the joint efforts of state officials and business representatives reinforced a concept of sovereignty that turned important elements of Allied plans on their head. Although this concept and its practical impact was a result of postwar conflicts over different conceptions of the West German state, it also had deeper historical roots in the interwar period.

### Shared Responsibilities: State Sovereignty in Coordinated Capitalism

The Economic Council of the Bizone attached great importance to the dismantling of the IG Farben conglomerate, as we can see from the internal discussions on possible negotiations with the Allies before the commission of economic experts was established. Repeatedly confronted with a negative attitude toward the participation of German government agencies, the council considered whether to protest against Allied plans in public.<sup>26</sup> Eventually, however, it was more promising to influence the Allied selection of German business representatives who would become members of the IG Farben Dispersal Panel. As a consequence, the leadership of the Economic Council in Frankfurt and the board of directors of IG Farben discussed possible commission members intensely before making suggestions to the Bipartite IG Farben Control Office.<sup>27</sup> Far from seeing themselves as mere economic experts, these

<sup>25</sup> Bayer Archiv Leverkusen. Entflechtung IG Farben C4/31.8. Note about the first joint meeting of FARDIP-BIFCO, February 3, 1949, 8.

<sup>26</sup> Bayer Archiv Leverkusen. I.G. Entflechtung FARDIP C4/31.8. Bemerkungen an den Verwaltungsrat des Vereinigten Wirtschaftsgebiets zum BICO-Memo vom 5.8.1948, August 25, 1948.

<sup>27</sup> Document No. 81 (27. Direktorsitzung in Frankfurt, August 30, 1948), in *Akten zur Vorgeschichte der Bundesrepublik Deutschland 1945–1949*, vol. 4, 767–68.

members were very aware of the political dimension of their task. By American request, Hermann Bücher, the former head of the Allgemeine Elektrizitäts-Gesellschaft AG (AEG), one of the world's largest corporate enterprises for electrical equipment, became chairman of the commission.<sup>28</sup> Bücher clearly understood the national significance of the endeavor to deconcentrate IG Farben, noting that "FARDIP, as a German body, has the task of advising, recommending and participating in the implementation of a measure that will have a decisive impact on the future German economy."<sup>29</sup>

Bücher had entertained previous relationships with IG Farben since the 1920s. He had been not only a close friend of the founder and chairman of the board of directors of IG Farben, Carl Bosch (1874–1940), but also represented IG Farben at the advisory board of the Reich Association of German Industry (Reichsverband der Deutschen Industrie) until its transformation in 1933.<sup>30</sup> The other six members of FARDIP had a similar background: Oskar Löhner was deputy director of the IG Farben plant at Leverkusen. As one of the founding members and chairman of the Braunkohle-Benzin AG, Gustav Brecht had established close relations to IG Farben due to its synthetic fuel production.<sup>31</sup> These personal experiences affected their attitude toward the task and did not encourage their readiness to break up the economic power of the conglomerate. In his correspondence with German confidantes, Bücher openly declared that he had accepted the nomination as head of the commission to counteract Allied plans: "After all I decided to take over this office in memory of my friend Carl Bosch. You will understand that I, for my part, am prepared to do everything I can to prevent what he has built up from falling apart."<sup>32</sup>

The reasons for the participating business representatives to oppose the Allied plans, however, ran deeper than personal ties to IG Farben and its management. Commission members like Bücher and Brecht were convinced that the development of modern capitalism called for coordinated structures rather than a free market economy. The origins of this belief lay in the period before the First World War but had been shaped during the interwar period and regained influence after 1945.<sup>33</sup>

Since the late nineteenth century, the leaders of business associations had voiced demands for a more extensive coordination of companies and economic branches rather than relying on market forces. In a certain respect, this should come as no surprise given the fact that as spokesmen they had to spread ideas on the needs of capitalism from an entrepreneurial perspective.<sup>34</sup> Still, their view of a coordinated future of the capitalist economy was not a self-evident expression of existing opinions among company owners. Economic interests do not come with an instruction sheet for their implementation. Rather, they emerge in correspondence to the forms and strategies of

<sup>28</sup> Previous accounts have wrongly assumed that the chairman of FARDIP was Gustav Brecht. See Kreikamp, "Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgesellschaften," 224; Sebastian Brünger, *Geschichte und Gewinn. Der Umgang deutscher Konzerne mit ihrer NS-Vergangenheit* (Göttingen: Wallstein 2017), 99.

<sup>29</sup> Bayer Archiv Leverkusen. IG Entflechtung FARDIP C4/31.9. Hermann Bücher, An das Bipartite Control Office, December 14, 1949.

<sup>30</sup> Johannes Bähr and Christopher Kopper, *Industrie, Politik, Gesellschaft. Der BDI und seine Vorgänger 1919–1990* (Göttingen: Wallstein 2019), 72.

<sup>31</sup> Stokes, *Divide and Prosper*, 157.

<sup>32</sup> Firmenarchiv AEG-Telefunken 1.2.060 A 5180. Hermann Bücher, letter to Eysten Berg, April 3, 1950.

<sup>33</sup> On the chemical industry in the prewar period, see Gottfried Plumpe, *Die I. G. Farbenindustrie AG. Wirtschaft, Technik und Politik 1904–1945* (Berlin: Duncker & Humblot, 1990), 40–57; Heinrich Hartmann, *Organisation und Geschäft. Unternehmensorganisationen in Frankreich und Deutschland 1890–1914* (Göttingen: Vandenhoeck & Ruprecht, 2010), 288–89.

<sup>34</sup> A general study on entrepreneurial functionaries in German-speaking countries does not exist. For the French context, see Patrick Fridenson, "Introduction," in *Les Permanents Patronaux. Éléments Pour l'Histoire de l'Organisation du Patronat en France Dans la Première Moitié du XXe Siècle*, ed. Olivier Dard and Gilles Richard (Metz: Centre de recherche histoire et civilisation de l'Université de Metz, 2005), 5–23; Danièle Fraboulet, "Les Permanents Patronaux," in *Dictionnaire Historique des Patrons Français*, ed. Jean-Claude Daumas (Paris: Flammarion, 2010), 1077–82.



their articulation.<sup>35</sup> Business representatives produced the ideas for the coordination of capitalism in step with their growing professionalism.

After the First World War, the number of entrepreneurial associations increased significantly on the national and international level in order to enable a more sustained representation of interests in front of the new democratic government and the European and global reorganization of market relationships.<sup>36</sup> Under these conditions, the chairmen, managing directors, and secretaries-general of business associations became important adherents of the coordination of capitalism because this corresponded with their most basic task: they were responsible for forming a coherent front of company owners in order to increase the weight of their demands in public and vis-à-vis government agencies. Declaring that economic individualism was the economic principle of the past, whereas joining forces was the future of capitalism, reflected their function to unite entrepreneurs and managers of production and trade on the scale of the national economy. It is no coincidence, in this respect, that both Hermann Bücher and Gustav Brecht held significant positions as spokesmen of business associations during the early stages of their careers in the 1920s. Bücher was the former managing director of the Reich Association of German Industry (Reichsverband der Deutschen Industrie); Brecht the managing director of the Reich Association of Coal Industry (Reichskohlenverband). At that time, neither had a personal record as an entrepreneur, because they had moved from state service to their function as business representatives.<sup>37</sup> In this particular context, promoting the coordination of capitalism was also a strategy to consolidate their own position within a field of company owners who did not always welcome the suggestions to follow the collective guidelines of entrepreneurial associations. The coordination of capitalism, figures like Bücher and Brecht held, depended on the substitution of market forces through the organizing services they could provide to the business community. From their point of view, the *ordo-liberal* idea of establishing a sovereign state that watched over the free competition of market participants ran counter to the historical development of contemporary capitalism.

The need to adapt business strategies to new collective forms, Bücher, Brecht, and other business representatives argued, originated from structural changes of the capitalist economy that now threatened the individual producer, particularly in the aftermath of the First World War. In this perspective, the war had accelerated the trend toward mass production, which required plants and machinery of a size that individual entrepreneurs could no longer afford. A coordination of research and agreements on prices or production quantities was supposed to help to reduce costs and financial risks. Reducing costs through cooperation, this argument held, was an urgent question of economic survival in view of the American competition that could flood the European market with goods without having to deal with the conversion from war to peace production or reparations payments. In addition to these observations, coordination seemed all the more necessary given that the Treaty of Versailles had multiplied the number of national customs borders in Europe and thereby increased the difficulties to find large sales markets necessary to absorb mass-produced goods.<sup>38</sup>

<sup>35</sup> Mark Blyth, "Structures Do Not Come with an Instruction Sheet: Interests, Ideas and Progress in Political Science," *Perspectives on Politics* 1, no. 4 (2003): 695–706; Suzanne Berger, "Introduction," in *Organizing Interests in Western Europe: Pluralism, Corporatism, and the Transformation of Politics*, ed. Suzanne Berger (Cambridge: Cambridge University Press, 1981), 1–26.

<sup>36</sup> Gerald D. Feldman, "Wirtschaftsverbände und Wirtschaftsmacht. Zur Entwicklung der Interessenverbände in der deutschen Stahl-, Eisen- und Maschinenindustrie," in *Vom Weltkrieg zur Weltwirtschaftskrise. Studien zur deutschen Wirtschafts- und Sozialgeschichte 1914–1932*, ed. Gerald D. Feldman (Göttingen: Vandenhoeck & Ruprecht, 1984), 131–60; Hans-Peter Ullmann, *Interessenverbände in Deutschland* (Frankfurt/Main: Suhrkamp, 1988), 133–44.

<sup>37</sup> Bähr and Kopper, *Industrie, Politik, Gesellschaft*, 55–56; Louis P. Lochner, *Die Mächtigen und der Tyrann. Die deutsche Industrie von Hitler bis Adenauer* (Darmstadt: Schneekluth, 1955), 83.

<sup>38</sup> Philipp Müller, *Zeit der Unterhändler. Koordinierter Kapitalismus in Deutschland und Frankreich zwischen 1920 und 1950* (Hamburg: Hamburger Edition, 2019), 56–58.

In a 1927 article, Bücher explained that the capitalist economy was undergoing a structural transformation. In his eyes, contemporary economic and social progress depended on new methods of production that could only be financed if individual competition did not drive economic profits to a subsistence level. Therefore, new forms of cooperation and coordination had to replace the traditional outlook on individual market participants. “An entrepreneurial profit can only be achieved if a collective outlook becomes predominant in entrepreneurship, a collective outlook that is expressed in conventions, cartels and syndicates [...] Hinderling cartels as such would impede progress.”<sup>39</sup> When Bücher assumed the function of chairing the commission on the deconcentration of IG Farben in late 1948, he opposed Allied plans because they ran counter to his deepest convictions.

Given the expanding economic activity of the state since the nineteenth century—an even more tangible experience since the German armaments program in the 1930s and the Second World War—it should be no surprise that these considerations on the future of capitalism were immediately tied to a specific conception of statehood. This conception involved assumptions on the form of state sovereignty that informed the strategies of the FARDIP experts when they started their work as commission members. On the one hand, they considered the coordination of entrepreneurial action a task of national importance and presented it as a necessary contribution to the promotion of the nation-state. In this respect, the language and concepts acquired by business representatives who had originally been trained for state service and started their professional careers in public administration spilled over into their new function.<sup>40</sup> Spokesmen such as Bücher and Brecht argued that the cooperation of entrepreneurs was to complement government action by carrying out tasks aimed at the well-being of the national community. From their point of view, state sovereignty should be based on the idea that government agencies shared their public functions with nonstate actors by delegating the task of economic coordination to business representatives.<sup>41</sup>

Although such a division of economic policy tasks made the state dependent on economic forces in an important policy area, business representatives did not associate their vision with a weakening of the state, as economists such as Eucken would have done. Rather, they argued, sovereign economic governance was in danger of being weakened under the conditions of a democratic constitution when political parties and parliaments had the possibility to influence and decide key economic issues. Bücher, who did not reject the founding of new parties after 1945 on principle and even considered joining the Social Democratic Party (SPD), considered the new political parties’ economic competence with great skepticism.<sup>42</sup> Especially in the face of the Allied plans he rejected, Bücher did not expect helpful suggestions from representatives of the newly emerging party politicians. “Since ... the parties only pursue ideology and carry out petty fights for positions of power, a reasonable counterproposal from the German side for the construction of a healthy economy cannot be achieved.”<sup>43</sup> In his eyes, preparing the foundation of the West German economy depended

<sup>39</sup> Hermann Bücher, “Betrachtungen über die neuen industriellen Organisationen der Wirtschaft,” in *Die Mitteldeutsche Industrie. Mitteilungsblatt des Verbandes Mitteldeutscher Industrieller*, April 15, 1927.

<sup>40</sup> When Bücher left his post as managing director of the Reich Association of German Industry to become a member of the board of AEG, he summarized his work by saying that he had “shown that it is possible to be a business representative vis-à-vis the state authorities and the rest of the economy without forgetting the interests of the whole of the nation.” See *Geschäftliche Mitteilungen für die Mitglieder des Reichsverbandes der Deutschen Industrie* Nr. 9, 7. Jahrgang 1925 (April 9, 1925), 64.

<sup>41</sup> “For this reason I am of the opinion that the state must only take over the political leadership of the people, and that it must delegate as much of its tasks as possible to bodies of self-management.... If these management bodies, for their part, do not behave as the most naked representatives of interests, but rather try to find a balance between the special interests and the interests of the whole, then ... a body should automatically emerge from these representatives which is able to overlook the conditions and the duties and effects of economic activity in a much clearer way ... than a systematically ordered official apparatus can.” See Hermann Bücher, “Grundlagen der Wirtschafts- und Handelspolitik,” in *Veröffentlichungen des Reichsverbandes der Deutschen Industrie* 25 (May 1925): 22.

<sup>42</sup> Firmenarchiv AEG Telefunken 1.2.060 A5099. Hermann Bücher, letter to Rudolf Wissel, March 4, 1947.

<sup>43</sup> Firmenarchiv AEG Telefunken 1.2.060 A 5098. Hermann Bücher, letter to Julius Meckel, February 2, 1947.

on protecting professional economic coordination from the consequences of democracy. A viable industrial order could only be established if the strategies of party political actors did not infringe upon entrepreneurial agreements, Bücher argued.<sup>44</sup>

Like the demand for entrepreneurial coordination, in general, this political dimension had already been part of propositions to reform capitalism in the 1920s.<sup>45</sup> Business representatives such as Bücher and Brecht pointed out what they identified as defects of democracy, above all the influence of parliamentary politicians who based policy decisions on their interest in reelection rather than on economic necessities.<sup>46</sup> According to this understanding, coordinating entrepreneurial interests and endeavors was based on agreements that considered the capacities and opportunities of the companies and their clients. A majority vote in parliament could not legitimize any agreements resulting from these types of negotiations. Rather, agreements would prove themselves solely through the subsequent level of consumption, technological advances, and the profits of business. Bücher conceived it as a danger to make the outcome of economic agreements dependent on democratic decision-makers' approval or rejection, because economic effectiveness did not depend on the will of a majority of voters.<sup>47</sup>

When the Allies created the commission to split up IG Farben, ironically, they created conditions that corresponded almost ideally to the political ideas of business representatives such as Bücher and Brecht. The Allied ban on contacts with members of the Frankfurt Economic Council and subsequently of the first federal government ensured that democratically elected representatives could not exert any official influence on the work of the commission. The responsibility of business representatives for the commission's tasks enabled them to follow their convictions without having to fear the objections of parliaments. In their eyes, this was a necessary arrangement in order to protect the future success of entrepreneurial coordination as the basis of West Germany's economic order from social and political influences.

### Obstructing Deconcentration in the Name of Sovereignty

The instructions of the Bipartite Control Office from August 5, 1948 contained detailed information about the expected dissolution of IG Farben in the form of preliminary lists of future independent units. According to the control officers, the IG Farben Dispersal Panel should be guided in their evaluations of those lists by "the principle of keeping the individual businesses as small as possible."<sup>48</sup> A German memorandum interpreting these instructions stated

<sup>44</sup> Firmenarchiv AEG Telefunken 1.2.060 A5083-2. Hermann Bücher, letter to Hans von Raumer, March 12, 1947.

<sup>45</sup> Hermann Bücher, "Diskussionsrede auf der Mitglieder-Versammlung des Reichsverbandes der Deutschen Industrie am 3. und 4. September 1926 in Dresden," in *Veröffentlichungen des Reichsverbandes der Deutschen Industrie* 32 (September 1926): 70.

<sup>46</sup> "As long as the most important affairs of the state fail because of personal vanity and because of the position of the individual not before his God and before his fatherland, but before the [political] party, as long as this is the case, we cannot take any step forward economically. Everything that we want to consider and create in serious work is prevented by the irresponsibility of the party." See Hermann Bücher, "Grundlagen der Wirtschafts- und Handelspolitik," in *Veröffentlichungen des Reichsverbandes der Deutschen Industrie* 25 (May 1925): 21.

<sup>47</sup> In their discussions on the structural changes of capitalism, business representatives of the 1920 were aware of the fact that these ideas were difficult to explain to the public. Still, members of the board of the Reich Association of German Industry like Clemens Lammers explained: "As a private industrialist, I, like Mr. Buecher, deny public control of cartels because ... it is exposed to all the dangers and fluctuations of ... politics. Private cartels should ... not be subject to the state or any other public body composed of politicians, scientists, workers' representatives, etc." Protokoll der Jahrestagung des Deutsch-Französischen Studienkomitees in Paris vom 12.-14. Juni 1931, 14. Politisches Archiv Auswärtiges Amt R 70540.

<sup>48</sup> Bayer-Archiv Leverkusen. IG Farben Entflechtung FARDIP C4/31.8. Anweisungen des Bipartite Control-Office an den Zweizonen-I.G.Farben Aufteilungsausschuss, August 5, 1948, 2.

that the previous corporate complex was to be transformed into about seventy-five independent companies.<sup>49</sup>

The commission of German business representatives initiated a first measure to counteract these plans. Knowing that the Allies would not allow official contacts with German government agencies, Bücher suggested informing Hermann Pünder, the chairman of the Economic Council's board of directors, in private about the progress of the commission's work. This idea was facilitated by the fact that Pünder's Frankfurt office was located about 200 yards from the headquarters of FARDIP.<sup>50</sup> In the months that followed, the members of FARDIP received non-official assistance from the board of directors' secretariat and German employees in Allied service at the Bipartite Farben Control Office.<sup>51</sup>

Shortly after assuming their functions in January 1949, each member of the commission took over particular departments on tax issues, pension fund regulations, patent rights, or company balance sheets and organized working groups on individual plant complexes. Bücher headed the working group on the Hoechst and Leverkusen plants and was thus responsible for a central part of the organization of new companies. A large number of hired auditors and experts in chemistry and production technology started to work out criteria for the split-up, taking into account, among other things, the interdependence of production of individual plants. In order to gather relevant information, the commission prepared questionnaires for the various company sites and requested extant material from Allied agencies.<sup>52</sup>

After only a few months, FARDIP informed the Allies that it could not adhere to the timeline set in advance. One of the main reasons Bücher gave to Bipartite Control Office personnel was that the currency reform made it difficult to assess the balance sheets and that the figures needed for statements about the companies' economic viability were not yet available. In order to be able to examine the lists of plants handed over by the Allies, the commission had to wait for crucial additional data.<sup>53</sup>

Although this reasoning was based on economic arguments, the hidden intention was directed at larger political questions, which Bücher made clear when speaking with German industrialists. At first glance, the objections only delayed the original plan.<sup>54</sup> But their acceptance by the Bipartite Control Office enabled FARDIP to carry out more detailed investigations into the individual plants and to redefine the criteria for deconcentration. Bücher told Wilhelm Kalle, a former member of the board of directors of IG Farben, that "the resistance to the lists submitted to us containing the so-called 'Independent Units' has prevented the atomization of the IG from being carried out and that the other side has accepted to examine the individual objects."<sup>55</sup> As their work progressed, instead of adhering to Allied guidelines, the commission members declared the largest indivisible plant to be the benchmark for

<sup>49</sup> "Bico wants FARDIP to continue the previous work of IG-Farben-Control in the same spirit, in the spirit of Control Council Law No. 9, and imagines a deconcentration in about 75 plants of the Bizone." See *Bemerkungen an den Verwaltungsrat des Vereinigten Wirtschaftsgebiets zum BICO Memo (48) vom 5.8.1948, August 25, 1948, 4*. The literature on the subject mentions fifty independent units as the Allied target. See Kreikamp, "Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgesellschaften," 223.

<sup>50</sup> Bayer Archiv Leverkusen. Entflechtung IG Farben C4/31.9. Hermann Bücher, An den Vorsitzenden des Verwaltungsrats des Vereinigten Wirtschaftsgebiets, February 9, 1949.

<sup>51</sup> See the correspondence between Hermann Bücher and W. Becker in the summer of 1949. Firmenarchiv AEG Telefunken 1.2.060 A 5180.

<sup>52</sup> The individual responsibilities of the FARDIP members are summarized in a document titled "Distribution of Work Among the Members of the I.G. Farben Dispersal Panel," Bayer Archiv Leverkusen. IG Entflechtung FARDIP C4/31.14.

<sup>53</sup> Bayer Archiv Leverkusen. IG Entflechtung FARDIP C4/31.15. Bücher's draft memorandum, May 24, 1949. See also Bayer Archiv Leverkusen. Entflechtung FARDIP C4/31.10. Minutes of the 17th meeting of FARDIP on May 18–19, 1949.

<sup>54</sup> A similar strategy can be observed in the efforts of other industrial corporations to prevent deconcentration. See Clemens Reichel, *Vom Verbund zum Konzern. Die Metallgesellschaft AG 1945–1975* (Darmstadt: Hessisches Wirtschaftsarchiv 2008), 115.

<sup>55</sup> Firmenarchiv AEG Telefunken 1.2.060 A 5180. Hermann Bücher, letter to Wilhelm Kalle, January 10, 1950.

further considerations. Only after having determined which plants could not be transformed into a group of smaller companies, the commission argued, could they reach “conclusions about the competitiveness of the companies among each other.” Because their analysis eventually concluded that the Leverkusen plant could not be divided into smaller units, it became the central parameter to measure the size of the other future plants.<sup>56</sup> By the spring of 1950, it was already becoming apparent that the commission’s final plan did not envision a large number of smaller companies succeeding IG Farben, but rather three large corporations: one in Leverkusen (Bayer), one in Frankfurt am Main (Hoechst), and one in Ludwigshafen (BASF). At the end of June, the commission drew up “basic outlines of an overall plan of deconcentration” that explained the deviation from the original Allied premises by pointing to arguments that represented Bücher’s and Brecht’s long-held convictions. In a world of increasing global competition, the authors of the document argued, reducing production costs was of cardinal importance. Under contemporary conditions, this could be achieved only through extensive coordination of forms of distribution, research and development capacities, and manufacturing capabilities. Therefore, only by adhering to the principle of large corporate enterprises could a viable chemical industry be maintained in West Germany.<sup>57</sup>

In many ways, these arguments came close to those that led to the original merger of German chemical companies that produced IG Farben in the 1920s.<sup>58</sup> FARDIP now explicitly referred to the past cooperation, claiming that a new breakup, if conducted too vigorously, would generate reckless entrepreneurial risks.<sup>59</sup> Ironically, at this time, it had become apparent that a number of the former IG Farben companies assessed this question differently. The German management of several plants presented their request to the commission to operate as independent firms in the future. For their part, they argued that they had demonstrated their capability of holding their own as independent players in the market before the IG Farben conglomerate was founded in 1924. But their explanations met with critical questions in which Bücher and Brecht pointed at the dependence on other plants, an explosion in research costs, and legal difficulties in cooperating with other producers.<sup>60</sup> In all probability, the commission members were convinced that their assessments were correct from an economic point of view. But this point of view had been formed as a result of a long career as business representatives in entrepreneurial associations and leading managers in cross-industry agreements. Commission members believed that individual entrepreneurs had to adopt a “collective outlook” and join forces; that coordination contributed to the national common good and should be protected from political interference. These ideas and suggestions of the FARDIP business representatives not only ran counter to Allied deconcentration plans and *ordo-liberal* concepts of a new market economy, but they also relied upon a conception of state sovereignty that excluded political forces from cardinal economic policy decisions.

In this respect, the commission members recognized an immediate threat to their work from plans for West German competition and cartel legislation. After the founding of the Federal Republic in May 1949, the Allies declared that parliament must rapidly adopt a cartel law as a prerequisite for allowing the German government to participate in issues of deconcentration. Ludwig Erhard, now Minister of Economics, commissioned the drafting of a bill that was influenced in important parts by the *ordo-liberal* concepts of Franz Böhm and Alexander Rüstow. The draft strictly prohibited cartels and also demanded the breakup of market-dominant enterprises. A state cartel agency was supposed to be able to intervene against agreements among entrepreneurs and take action against the concentration of

<sup>56</sup> Bayer Archiv Leverkusen. Entflechtung FARDIP C4/31.10. Minutes of the 57th meeting of FARDIP (April 27, 1950), 3–4.

<sup>57</sup> Bayer Archiv Leverkusen 4C/31.16. Grundlinien eines Gesamtplans zur Entflechtung der I.G. Farbenindustrie AG si.A. See also Kreikamp, “Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgesellschaften,” 225.

<sup>58</sup> Plumpe, *Die I. G. Farbenindustrie AG*, 131–44.

<sup>59</sup> Grundlinien eines Gesamtplans zur Entflechtung der IG Farbenindustrie AG, 24.

<sup>60</sup> Bayer Archiv Leverkusen. Entflechtung FARDIP C4/31.10. Minutes of the 63rd meeting of FARDIP, July 6–7, 1950.



economic power that stymied market competition.<sup>61</sup> Although the first draft quickly disappeared in a ministerial filing cabinet, the commission believed that the bill's intentions threatened to undermine their work. It is a remarkable sign of his self-conception that Hermann Bücher, as chairman, asked the legal department of the commission to prepare its own draft bill that should be submitted to the federal government. The guiding principle of this alternative proposal was that a future competition law should "only lay down the principles of decartelization and deconcentration," whereas "individual provisions, namely those that would only apply to the deconcentration of certain undertakings, should be reserved for later implementing regulations."<sup>62</sup>

Of course, the commission itself was responsible for preparing these regulations, making its proposal tantamount to a kind of self-authorization. In drawing up the bill, FARDIP members expressed their conviction that their expertise extended beyond specific economic issues to economic policy. They considered their experience as business representatives to be more legitimate than that of ministerial offices or parliamentary committees. On other occasions, FARDIP expressed its underlying self-conception in a similar form—for example, when the Act on Codetermination of Employees (*Mitbestimmungsgesetz*) was on the political agenda. Again, the members of FARDIP deplored the improper public debate on the issue and developed their own draft law.<sup>63</sup> While the manifold resistance from business circles delayed the Federal Republic's antitrust legislation for years,<sup>64</sup> the attitude of the commission members reveals an understanding contrary to the Allied conception of a sovereign Federal Republic, liberated from the influence of economic interests.

Still, FARDIP members did not represent a position that simply reflected the interest of particular business groups. Rather, they could count on a similar conception of democracy and statehood within the federal government. Leading figures including Hermann Pünder and the first German Chancellor Konrad Adenauer shared the opinion that a stable republican state had to be protected from the influence of "mass democracy." For this reason, in the early 1950s, committees, institutions, and connections outside parliament became an important part of political practice, not least in order to limit the influence of elections and party politics.<sup>65</sup> Whenever possible, Adenauer did not include members of his own parliamentary faction of the Christian Democratic Union (CDU) or the staff of Erhard's ministry in his decision-making on economic issues, preferring to rely on informal advisers from the business community. The board member of the Deutsche Bank, Hermann Josef Abs, who was one of these advisers, gave an account of how Adenauer consulted with "many experts on the economic side of the problems" before making a political decision.<sup>66</sup> Besides this team of consultants from the private sector, there was a so-called

<sup>61</sup> Peter Hüttenberger, "Wirtschaftsordnung und Interessenpolitik in der Kartellgesetzgebung der Bundesrepublik 1949–1957," *Vierteljahrshefte für Zeitgeschichte* 24, no. 3 (1976): 287–307; Berghahn, *Unternehmer und Politik in der Bundesrepublik*, 154–56; Nicholls, *Freedom with Responsibility*, 327–28.

<sup>62</sup> Bayer Archiv Leverkusen. Entflechtung FARDIP C4/31.10. Minutes of the 44th meeting of FARDIP December 21, 1949, 2. See also Bemerkungen zum gegenwärtigen Stand des Entwurfs eines deutschen Kartellgesetzes (*Wettbewerbsgesetz*), November 29, 1949. Bayer Archiv Leverkusen. IG Entflechtung FARDIP C4/31.9.

<sup>63</sup> Bayer Archiv Leverkusen. Entflechtung FARDIP C4/31.10. Minutes of the 52nd meeting of FARDIP, March 16, 1950, 1–3.

<sup>64</sup> For the subsequent negotiations among government, business federations, and parties, see Hüttenberger, "Wirtschaftsordnung und Interessenpolitik in der Kartellgesetzgebung der Bundesrepublik 1949–1957"; Gerd Hardach, "Wettbewerbspolitik in der Sozialen Marktwirtschaft," in *Das Bundeswirtschaftsministerium in der Ära der Sozialen Marktwirtschaft*, 191–264.

<sup>65</sup> For the establishment of the Federal Constitutional Court as a body to limit popular sovereignty, see Jan Werner Müller, *Contesting Democracy: Political Ideas in Twentieth-Century Europe* (New Haven, CT: Yale University Press, 2011), 146–52. For the general fear to fall back into the traps of Weimar's democracy, see Sebastian Ullrich, *Der Weimar-Komplex. Das Scheitern der ersten deutschen Demokratie und die politische Kultur der frühen Bundesrepublik 1945–1959* (Göttingen: Wallstein Verlag, 2009).

<sup>66</sup> Hermann J. Abs, "Konrad Adenauer und die Wirtschaftspolitik der fünfziger Jahre," in *Konrad Adenauer und seine Zeit. Politik und Persönlichkeit des ersten Bundeskanzlers*, ed. Dieter Blumenwitz (Stuttgart: Deutsche Verlags-Anstalt,

“small circle” consisting of various industry representatives such as the president of the Association of German Industry (BDI) Fritz Berg and other “economically experienced gentlemen” who advised the chancellor personally. As chairman of the decartelization commission, Hermann Bücher participated in these informal contacts with Adenauer and presented the first results of the commission’s work to the chancellor in a personal meeting in November 1949. Subsequently, Bücher’s suggestions exerted an important influence on the arguments and strategies of Adenauer’s administration. According to Hermann Josef Abs, Adenauer based his decisions concerning the dissolution of IG Farben on the commission’s reports: “Here, too, Adenauer informed himself in detail about the economic consequences of a reorganization and did not allow himself to be pressured into decisions in this important industrial field until he considered the economic consequences, thanks to consultations with interested interlocutors.”<sup>67</sup>

The underlying perspective on state-business relationships of these contacts did not correspond with the American idea of a sovereign West German state. The realization of the American view not only ran into difficulties because of contrasting conceptions of sovereignty on the German side, but also, at the final stage of the IG Farben dissolution, because of growing disunity within the inter-allied commission on deconcentration and decartelization—particularly after French interests became part of the negotiations following the unification of the Western occupation zones as the Trizone. The French government prioritized preserving France’s economic and security interests in West Germany over dismantling IG Farben.<sup>68</sup> French officials found it more promising to gain sustainable influence by controlling a powerful corporate enterprise like BASF that was tied to French business rather than allowing a large number of small companies without any practical impact on industrial policy.<sup>69</sup> For this reason, the French representative in the inter-allied commission flatly rejected strict regulations prohibiting entrepreneurial agreements.<sup>70</sup> In the further course of events, German and French authorities repeatedly consulted with one another and agreed on French minority shareholdings in return for French opposition to further American demands to spin-off individual companies.<sup>71</sup>

## Conclusion

The cooperation between business representatives and the federal government contributed to the emergence of a West German chemical industry that did not have much in common with the original Allied plans for deconcentration. The size of each of the three corporate enterprises (Bayer, BASF, and Hoechst) was a far cry from the principle of the smallest possible unit set by the Bipartite Control Office.<sup>72</sup> Furthermore, the relationship between the three successors was based on a tacit division of labor. The respective production of nitrogen, plastic,

1976), 235. See Frank Bösch, *Die Adenauer-CDU. Aufstieg und Krise einer Erfolgspartei 1945–1949* (Stuttgart: Deutsche Verlags-Anstalt, 2001), 250–67.

<sup>67</sup> Abs, “Konrad Adenauer und die Wirtschaftspolitik der fünfziger Jahre,” 244.

<sup>68</sup> Sylvie Lefèvre, *Les Relations Economiques Franco-Allemandes de 1945 à 1955. De l’Occupation à la Coopération* (Paris: Comité pour l’histoire économique et financière de la France, 1998), 168; Martial Libera, *Un Rêve de Puissance. La France et le Contrôle de l’Économie Allemande (1942–1949)* (Brussels: Peter Lang, 2012), 535.

<sup>69</sup> The responsible Secretary of State in the French Ministry of Economic Affairs declared: “Our goal vis-à-vis IG Farben is to establish a network of industrial and commercial relations between IG Farben and French industry in order to secure a lasting French influence in this area.” See Jean Filippi, letter to unknown recipient, July 22, 1948. Archives du ministère des affaires étrangères. Affaires allemandes et autrichiennes (1950–1955), 234.

<sup>70</sup> Archives du ministère des affaires étrangères. Affaires allemandes et autrichiennes (1944–1949) 98. Compte rendu sommaire de la 15ème réunion du Groupe de déconcentration industrielle et de décartellisation à Francfort le 25.5.1950.

<sup>71</sup> Kreikamp, “Die Entflechtung der I.G. Farbenindustrie AG und die Gründung der Nachfolgesellschaften,” 237.

<sup>72</sup> Former members of the American Decartelization Branch expressed their deep frustration over this outcome and held the traditional relationships within the international business community responsible for sabotaging their efforts. Above all, see James Stewart Martin, *All Honorable Men* (Little Brown: Boston, 1950).

synthetic fiber, and paint chemicals could be carried out without competing for markets. The management boards remained in contact with one another and continued to make agreements, to which they referred in cases of conflict in the following years. According to Werner Abelshausen, the coordination among the three corporate enterprises formed the basis for “a unique form of market behavior,” which “led the whole world to suspect that the trust’s spin-offs would sooner or later rediscover their mutual interests and recultivate them.”<sup>73</sup>

However, the result of IG Farben’s deconcentration did not merely continue a German tradition of corporate capitalism. Certainly, the commission members’ previous years as business representatives shaped their determination not to meet the expectations of the Allies. In this respect, their experience with the relationship between the economy and the state since the interwar period was central. Bücher and Brecht had begun their careers in business associations in the Weimar Republic and brought a specific perspective from that time to their work in the commission that informed their ideas on contemporary capitalism, democracy, and state sovereignty.

Nevertheless, the restructuring of IG Farben cannot be explained by the traditional mind-sets of the German experts alone. The position of business representatives depended on both the interaction of the military government with the West German administration and their contrasting conceptions of sovereignty. The American military government wanted to establish a democratic state integrated into the Western economic system. The acceptance of a regime of international trade relations and global competition was tantamount to restricting the Federal Republic’s external sovereignty, but at the same time it was intended to support the emergence of a democratic state with sovereign domestic decision-making power, liberated from the influence of economic forces. In order to ensure this development, the military government denied participation to political German actors and rejected any contact between the decartelization commission and the Frankfurt Economic Council. This strategy helped German business representatives to assume a position they would hardly have achieved without the Allied strategy. Only the exclusion of German government agencies turned the commission members into decisive figures who could shape the future structure of the West German chemical industry. Neither the West German government nor German business representatives were convinced of the Allied plans for deconcentration because they assumed that a sovereign German state could only be built on the basis of an industry that would promote exports. This required large corporate complexes such as Bayer, Hoechst, and BASF. At the same time, the delegation of structural decisions to business representatives meant that they were given a say in cardinal economic policy issues. This turned the Allied idea of a sovereign democratic state on its head in many respects and promoted a development of the early Federal Republic that was characterized by close extra-parliamentary contacts between the state administration and economic elites.

Although the deconcentration of IG Farben does not represent the political economy of the early Federal Republic in its entirety, it contains important elements of a characterization that is usually applied to the situation of the late twentieth century. Colin Crouch and Wolfgang Streeck have argued that the time following the oil price shock of the 1970s ushered in a period when extra-parliamentary relations between government and economic elites undermined the sovereignty of democratic statehood. In contrast to the time after the Second World War when, according to Streeck and Crouch, economic elites accepted a limitation of their influence on policy making, the end of the twentieth century witnessed the advent of “post-democracy” in which state authorities denied their capacity of autonomous actions arguing that they did not have the necessary entrepreneurial expertise to manage economic issues.<sup>74</sup> As I have shown, the circumstances under which state-business

<sup>73</sup> Werner Abelshausen, “BASF Since Its Refounding in 1952,” in *German Industry and Global Enterprise: BASF: The History of a Company*, ed. Werner Abelshausen (Cambridge: Cambridge University Press, 2004), 455.

<sup>74</sup> Colin Crouch, *Post-Democracy* (Cambridge and Malden, MA: Polity Press, 2004), 42–44; Wolfgang Streeck, *Gekaufte Zeit. Die vertagte Krise des demokratischen Kapitalismus* (Berlin: Suhrkamp, 2013), 51.

relationships contributed to the definition of state sovereignty in the years after the end of the Second World War were starkly different. Still, the early Federal Republic does not provide a counter-image of democratic sovereignty that can be juxtaposed against an entangled post-democratic state of the late twentieth century. Rather, the joint efforts of government agencies and business representatives to rebuild the postwar chemical industry followed the idea of a sovereign West German state that in some respects foreshadowed state-business relationships in the future.

**Acknowledgments.** I would like to thank the editors for their helpful comments and suggestions.

---

**Cite this article:** Müller P (2022). Sovereignty Trade-Offs between Politics and the Economy: The Deconcentration of IG Farben after 1945. *Central European History* 55, 53–69. <https://doi.org/10.1017/S000893892100176X>