Privatization of State Owned Enterprises: The Role of the Treuhandanstalt in East Germany

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Abstract

One of the world’s most impressive privatization programs is considered to be the one carried out by the Treuhandanstalt (THA), the German privatization agency set up specifically to handle the reform of the East German SOE’s, after the country’s (re)unification with West Germany in 1990. The THA succeeded in privatizing several thousand SOE’s between 1990 and 1994. By any standards, this is an impressive record and demonstrates how much can be accomplished with efficient organization and political will. The program, however, was not without its failings. The exercise cost billions of Deutsche Marks and invited severe criticism from all sections of society. This presentation examines and evaluates the role and strategy of the Treuhandanstalt in the privatization of the East German SOE’s. It also attempts to draw lessons for the Indian economy from the experience of privatization of its SOE’s.