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PROFITABILITY AND EFFICIENCY MEASURES OF PUBLIC ENTERPRISES

Brief Summary of Country Experiences

Paper prepared by the United Nations
Industrial Development Organization (UNIDO)

Many countries consider the profits of public manufacturing enterprises from two separate points of view. The first concerns the validity of profit making and the uses to which profit should be put. The second concerns the appropriateness of regarding profitability as a measure - or as one possible measure - of operational efficiency.

Official policies on profitability show extremely wide variations from one country to another. In a study conducted recently by UNIDO many of the participating countries reported that their manufacturing public enterprises are not required to show a profit on their operations, although they do not always make clear precisely why they regard profit-making with comparative indifference. Iran, for example, emphasizes the importance she attaches to price stabilization, which may be incompatible with profitability and inevitably so if the general economic situation is characterized by inflation. Sudan says that "self-sufficiency" is the fundamental aim of her industrial policy, which means that profit-making, although not the "ultimate goal", is certainly not ruled out as a subsidiary one. Argentina, in saying that profit-making is not a "basic requirement", likewise suggests that profits may be by no means unwelcome.

Of the other countries reporting, France states her policy most clearly on this subject. Profits in French public manufacturing enterprises, are the result of efficiency in production for a competitive market, and are normally required of them for the financing of expansion. Sweden reports that long-run profit maximization is the goal of her public manufacturing enterprises that operate under competitive conditions. Italy follows the criterion of "economicita", requiring her enterprises to remunerate at current rates of interest that portion of their capital which is raised from a competitive market. (The enterprises' "endowment funds", however, are rarely so remunerated "because of the costs the managing agencies have to stand in pursuing public objectives".) In Turkey, by Law 440, profitability is declared "essential"; in Iraq, it is normally fixed at 10 per cent "of the total cost of the products"; in Ceylon it is "required" and in Ghana "expected". India, under her Five-Year Plans, expects public manufacturing enterprises to yield, in toto, a given sum (e.g. Rs.4,500 million during the Third Five-Year Plan) towards the capital resources required for plan fulfilment.

/The variety

The variety of attitudes thus illustrated is by no means an entirely random one. It reflects, for instance, a distinction between the developed "mixed" economy countries and the less developed ones. In France, Italy and Sweden, public manufacturing enterprises are subject to the "discipline" of competition; their profitability, therefore, is not only expected but taken as at least a rough-and ready measure of their efficiency. Elsewhere, competitive conditions are either non-existent or extremely imperfect, particularly in those lines of production in which public manufacturing enterprises tend to specialize; profitability, therefore, is neither correlated with efficiency nor regarded as a means of measuring it. Where expected, it is deliberately planned for as a means of providing self-generated resources for enterprise expansion and re-equipment or as a contribution to general capital-formation in the total national economy.

There is also a very broad and imperfect distinction between those countries which have extensive systems of public manufacturing enterprises and those which, either because they rely more heavily on the private sector or because their industrial development is still in its early stages, have comparatively limited ones. The former group, which includes India and Turkey, necessarily regard the generation of surpluses by their enterprises as an important engine of economic growth; the latter place less emphasis on this objective. In Greece, for instance, surpluses accruing from the operations of public manufacturing enterprises can hardly be more than marginal in their effect on the total economy, while for Sudan the immediate objective is the initial establishment of enterprises which can lead to greater industrial self-sufficiency, irrespective of their profitability, at least in the short term.

Where profit is not the more-or-less automatic result of success in competition, it has to be planned for, by the enterprise itself or by the public authorities or by both, through a process of consultation and collaboration. Here, again, practices differ, depending, at least, partly on the extent to which the profits of the enterprises enter as important elements into the resource-calculations made for the national economic plan. Only Ghana, where "financial planning is very elementary", whether at the enterprise level or the national level, reports that there are virtually no profit-targets. In Argentina, Ceylon, Iran and Sudan, the targeting is undertaken by the enterprises themselves.

/Iraq has

Iraq has the rather curious system by which one group of enterprises (i.e. those directly under the control of the government) have their profit-targets set by the national plan, while another group (i.e. those dependent on the "holding company" known as the State Organization for Industry) set their own. However, the distinction between the two different kinds of arrangement for profit-targeting should not be very strongly emphasized, for it must be remembered that, to a considerable extent, expected profitability is closely related to investment and pricing policies, in respect of which the enterprise is rarely if ever endowed with autonomy. Hence, even then the enterprise is left free to plan for the realization of a particular level of profit, it does so within economic parameters stringently determined or at least powerfully influenced by the public authorities.

India is one of the few countries where the government concerns itself most seriously with the profits that its public manufacturing enterprises are expected to realize. The Third Plan, sets an over-all target of Rs.4,500 million, while the Fourth Plan - which is at present in the course of reformulation - specified that enterprises should aim at a rate of return of 11-12 per cent per annum on their capital. According to the Indian rapporteur to the questionnaire, these targets have been fixed too generally, too arbitrarily, and without sufficient consultation with the enterprises themselves. This has led the Indian Committee on Public Undertakings (which is an evaluatory body comparable in function with the British Select Committee on Nationalized Industries) to make the following observations:

> "The Committee regret the manner in which the assessment of surpluses from the public undertakings has been made for the Third Five-Year Plan Ad hoc assessment of surpluses is unfortunate as it raises hopes which cannot be fulfilled and exposes the undertakings to public criticism. The Committee trust that while making provision in the Fourth and subsequent Plans the estimates of surpluses from public undertakings would be made on a realistic basis and in consultation with them."

/It would

It would seem that an over-all target for the profits to be realized by public enterprises is not very meaningful unless it represents an aggregate or average of the individual targets for each of the enterprises, which can be realistically formulated only by a process of close consultation with the managements of the enterprises themselves, who alone can say what is feasible and what is unfeasible in the conditions under which they are required to conduct their operations.

It may be usefully added, for the sake of the record, that whereas certain countries appear to be little concerned with the profitability of their public manufacturing enterprises, and others - the majority - expect them to make profits or hope that they will do so, none adopt, as a general rule, the so-called "break-even" policy. This policy was originally written into certain of the British "nationalization" laws, which required the newly-nationalized industries to bring into balance their receipts and expenditures on current account, "taking one year with another". An ambiguous and unenforceable injunction, it has been *de facto* abandoned even in the country of its origin, and there are now few who would seriously recommend its general adoption, particularly for public *manufacturing* industries - although it may have its merits, in particular circumstances, for public utilities. Of the reporting countries, only Greece suggests that her enterprises normally operate on the break-even principle; she does not, however, say that they are *required* to do so, nor that breaking-even has any particular virtue, except as a financial out-turn which is regarded as preferable to the making of a loss.

When losses are registered by public manufacturing enterprises, they may be covered by a great variety of methods; straightforward subsidization from national budgetary funds; the granting of a loan, sometimes interest-free; the waiver of service charges on outstanding loans or the declaration of a moratorium on loan repayments; the use of the enterprise's own reserves; the raiding of its depreciation funds. It is impossible to say, except in relation to particular circumstances, which of these methods is to be regarded as superior to others. There are, however, certain *principles* which may be recommended with some confidence.

/Much depends

Much depends on the precise reason for the loss. In some cases, it is the result of deliberate government policy. For social or political reasons, the government may have refused the enterprise permission to charge prices that will enable it to cover its costs of production, or have imposed upon it loss-making obligations which "put it in the red" in respect of the totality of its operations. In such cases, open subsidization, however arranged, is invariably the best method of covering the loss. Such subsidization, however, needs to be calculated with great care, since an enterprise (and sometimes the government itself) may be under strong temptation to attribute to extraneous factors losses which are in fact the result of managerial inefficiency.

We would, therefore, suggest that the circumstances under which subsidization may be legitimately employed and the techniques that may be used for the calculation of its amount are subjects which ought to receive careful attention.

If an enterprise is expected to pay its way, but fails to do so for reasons unconnected with any directives it may have received from the government, then the use of the grant or even of the interest-free loan is normally an inappropriate method of covering its losses. One must, of course, make due allowance for the enterprises with a lengthy maturation period, which may have been allocated to the public sector precisely for the reasons that, during its first year of operation, it will inevitably be loss-making. A large number of public manufacturing enterprises initiated by the less developed countries do indeed fall within this category, and proper financial provision has therefore to be made for their "running-in" period. If the project analysis has been adequately done, however, the expected yield on invested capital is no more than <u>delayed</u>. The enterprise, therefore, is entitled to a moratorium on rather than a waiver of the financial obligations it would normally incur. Hence the appropriate way of covering losses is to make a loan on which interest-payments and amortization instalments are deferred for a number of years. Admittedly, this is a counsel of perfection, and it may well be that circumstances will compel the government eventually to write off

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the charges, as a result of the inability of the enterprise to meet them, and thus in fact convert the loan into a grant. It may be - as has been the case with some of the British nationalized industries - that some portion of the enterprise's original capital will have to be written off. But these are measures to be used only in the last resort, when all else has failed; for if the enterprise starts its life in the expectation that a solicitous government will provide it with "easy" money to cover any losses it may incur, its incentives to improve its efficiency and to achieve profitability will be reduced to a very low level.

The raiding of depreciation funds is also a loss-covering device not to be recommended, except as a strictly temporary measure; for if it is continuously resorted to, the financial affairs to the enterprise will become more and more confused, and eventually its soundness as a commercial entity completely undermined. The use of reserve, however, falls into a different category, since the covering of temporary losses is one of the purposes for which the accumulation of reserve is intended.

In the developed countries, such as France, losses are normally met in this way, with the exception of those which arise from the slow maturing of a project or from the need for its radical reconstruction. But it is obvious that reserves have to be created before they can be used, and the ability of an enterprise to have recourse to this method is in itself evidence that it has already achieved a considerable financial success.

When an enterprise makes a net profit, the question of its disposition arises. In Iraq, for instance, the manufacturing enterprises under the control of the State Organization for Industry (SOI) are required to operate the following scheme:

> "After deducting 25 per cent of the net profit of the enterprise for expansion purposes, the balance will be taxable, if it exceeds the yearly allowance for the first ten years of its profitable operation. After deducting the income tax, the remaining balance of the net profit, which is called 'ready-for-distribution' profit, has to be distributed according to the law as follows:

(1) 25 per cent... is allocated to the employees (management and workers)... as follows:

(a) 10 per cent... in cash..., according to the number of their working days and the income they received during the year the profit was realized, on the basis of 50 per cent for the working days... and 50 per cent for the income received...;

(b) 5 per cent... to the social service and housing projects for the employees of the enterprise;

(c) 10 per cent... to the central and common social service and housing projects... of the SOI companies.

(2) The remaining 25 per cent of the... "ready-for-distribution" profit has to be transferred to the SOI headquarters to be distributed as follows:

(a) An interest of 3 per cent on the bonds held by the ex-shareholders of the nationalized companies;

(b) Of the remaining balance - (i) 30 per cent to the redemption of those bonds; (ii) 30 per cent to the national budget; and (iii) the remaining 40 per cent to the expansion of the SOI's existing projects or to the establishment of new projects".

Such a scheme (some of the complexities of which are inherent in the "two-tier" structure of the SOI Group) has certain manifest advantages. There is no doubt about the manner in which profits are to be distributed, and consequently their purely "political" use is ruled out, so long as government and management treat the law with respect. In particular, the government is inhibited from using its successful public manufacturing enterprises as sources for the replenishment of its general revenues, except to the extent that their profits are subject to taxation. Furthermore, both managers and workers are given - or appear to be given - incentives to the achievement of greater efficiency and higher productivity. On the other hand, the scheme would seem to have a degree of rigidity which might well prove difficult to reconcile either with coherent national economic

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planning or with the periodical adjustment of the distribution of investment resources made necessary by changing economic circumstances. One might suggest, therefore, that the scheme's actual operation will need to be studied carefully in order to judge whether it does not unduly tie the hands of both governments and managements.

At the other end of the scale is India, which has no "clear and specific methods" for the distribution of the profits generated by its public manufacturing enterprises. In practice, most of the enterprises "have been ploughing back their profits in the form of various reserves, e.g. general reserve, development rebate reserve, etc.", as following figures, relating to the distribution of a net profit of Rs.299.4 million generated by 43 central government concerns in the year 1966-67, clearly show:

Appropriation	Rs. million	
(1) Central and other Reserves	155.3	
(2) Development Rebate Reserve	72.6	
Less transfer from reserve	3.1	
		224.8
(3) Dividends		
(i) for the year 1966-67	73.4	
(ii) for the previous year	0.7	
		74.1
		298.9
Balance carried over		0.5
		299.4

Such flexibility, of course, facilitates both the long-term planning and the short-term adjustment of the national economy; but it could be wide open to abuse, and does not embody any pattern of "incentives" that might guarantee rewards for managers and workers who make special efforts to achieve the targets they have been set.

/Other countries

Other countries without laws for the regulation of profit-distribution report varying practices. The Ghanaian public manufacturing enterprises, for instance, normally retain their profits but "sometimes" pay "some" of them into the Treasury. The Sudanese enterprises use their profits, apparently in accordance with a series of ad hoc decisions by the government, for repayment of capital, payment of dividends, and transfer to reserves.

There is also a group of countries, that specify by law the distribution of certain portions of their enterprises' profits but leave the remainder to be used as the enterprise or the government sees fit. In some cases, the law confines itself to stating the principles upon which bonuses shall be allocated to managers and workers. In France, for instance, the Act of 17 August 1967 on "Participation by Workers in Gains through Expansion" obliges enterprises with more than one hundred employees to pay their employees a sum calculated in the following way:

> "The company tax plus an additional 5 per cent, representing the return on the capital invested by the enterprise itself in France, are deducted from the taxable profit. Then the adjusted profit is multiplied by a coefficient, equal to the ratio between 'wages and salaries paid out and value added' and reflecting the share of labour in the creative activity of the enterprise. Half of the amount calculated in this manner is distributed among the employees in proportion to their salaries (but it may not exceed a yearly profit - sharing ceiling of 6,840 francs, or about $1,400)."

In other cases, the law makes general provisions for reserve-creation and debt-redemption. Swedish companies, for instance, are required to contribute 10 per cent of their profits to reserves until the reserve fund is equal to 20 per cent of the shareholders' capital, and to use a further 10 per cent for debt redemption as long as outstanding debts are greater than total equity capital.

The remaining profits are used for reinvestment for the payment of dividends to the state, in accordance with decisions taken by the management of the companies themselves. Ceylon has a simpler system, which leaves the widest possible discretion to the relevant minister, acting on the advice of the enterprises' managements. According to the Industrial Corporation Act of 1957.

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"Out of the profits of the Corporation in each year the Board of Directors shall, with the approval of the Minister, pay to general or specific reserves of the Corporation such sums of money as may be determined by such board with such approval, and the balance, if any, of such profits shall with the approval of the Minister of Finance, be paid to the Deputy Secretary of the Treasury to be credited to the Consolidated Fund of Ceylon."

There are yet other countries which, while making no general legal regulations for the distribution of profits, applicable to every enterprise or to all enterprises falling within certain categories, embody special provisions within each enterprise's constituting law. Turkey is one of these - although she also has a law (No. 440) which, among other things, "foresees the payments of premiums and dividends from the net profits to the personnel who have played a role in increasing the productivity" of all her state economic enterprises. In Italy, the matter is entirely decided by the statute relating to the management agency concerned. The IRI, for instance, is required by its own law to contribute 20 per cent of its profits to a reserve fund, 15 per cent to vocational training, management training, and technical and social assistance, and 65 per cent to the State Treasury.

The above analysis illustrates the enormous variety of practices governing profit distribution. Circumstances differ so widely that it would be foolhardy indeed to recommend any one system, or even group of systems, as the best. There seems however to be four general principles which, should as far as possible be universally observed. Firstly, the pattern of profit-distribution should be thought out in advance, and not left to a series of purely ad hoc decisions. Secondly, it should not be so rigid as to inhibit distribution in a manner conformable with the requirements of the national economy as a whole. Thirdly. it should give the maximum practicable freedom to the managements of the enterprises and contain provisions designed to provide both managers and workers with financial incentives for the improvement of their performance. Fourthly - and perhaps most importantly for the less developed countries - it should ensure that the highest possible proportion of the enterprise's profits

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should be either "ploughed back" or used for purposes of general capital-formation. We are aware, of course, that these principles are by no means complementary; indeed, they may frequently come into acute conflict with one another. What we are saying is simply that they should all be <u>borne in mind</u> by those who are entrusted with the making of decisions on this important subject.

As to the actual effect of profits policy on the morale of both managers and workers, one must make a distinction between (a) the <u>general</u> effect deriving from the ability of the enterprise to show a profit and from its freedom to exercise <u>some</u> control over the use to which that profit is put; and (b) the <u>specific</u> effect arising from the distribution of some portion of the profit in the form of bonuses to its personnel.

When an enterprise can claim that it is a venture that yields adequate returns to its founders and others, it tends to get favourable publicity. Moreover, a profitable enterprise is likely to be subject to less interference by the political and administrative authorities than an unprofitable one. Both of these factors obviously enhance the morale of the enterprise's managers, and it is even possible that some of the ordinary employees may begin to take a pride in the achievements of "their" concern. When profits have been genuinely "won", such reactions are fully justified. It must always be remembered, however, that in a situation where the enterprise enjoys some degree of monopoly or is operating in a consistent seller's market, profits may be easy to obtain and hence offer no real criterion of efficiency. Such a situation, as we have seen, often prevails in the less developed countries. Both managers and workers, therefore, may be living in a fool's paradise. Indeed, profitability which has been obtained as a result of no particular effort may induce complacency rather than stimulate iniciative. As for management's freedom to use the profit that it makes - or at least a significant proportion of them - for its own self-determined purposes, there is a general opinion - which we, on <u>a priori</u>

/grounds, are

grounds, are inclined to endorse - that the greater the freedom accorded, the higher will be the morale. Clearly, managers cannot be accorded total freedom to dispose of their net profits. If an enterprise is not scheduled for further expansion, it would be simply unwise to allow them to pursue an indiscriminate policy of "ploughing back"; such a course would simply restrict the possibilities of capital-formation in those areas where it was really required, and would be incompatible with coherent national economic planning. On the other hand, it would at least seem to be inimical to managerial morale if all the fruits of success were arbitrarily taken away by higher authority, to be used - perhaps - for purposes which seemed to the managers themselves to be of comparatively low priority. Perhaps the key word here is "arbitrarily", and it may be that what managers really want is not the right to dispose of the profits they have made but to be seriously consulted about the disposition of such profits. There is plenty of evidence that consultation does not always take place, or that when it does take place it is not always serious. Policy and practice in this field might well receive some further discussion.

The specific effect of bonuses for personnel, fed from the enterprise's profits, is also the subject of some controversy. In theory, it should be good for morale; in practice it is not always so. When an enterprise enjoys a comparatively sheltered existence, the payment of bonuses out of regularly-accruing profits may settle down into a routine and the bonuses come to be regarded as a normal addition to standard wages and salaries. Equally serious is the situation where certain enterprises, through no particular effort of their own, are able to pay bonuses, whereas other enterprises, through no fault of their own, are unable to do so. In this case whatever stimulatory effect the bonus-paying regulations have on the first group of enterprise may be offset by the depressant effect on the second group. Similar considerations apply to the use of profits for the provision of profits for the provision of services in kind, such as housing and recreational facilities. Such services are provided on a fairly lavish scale in the Turkish state economic enterprises, but the Turkish rapporteur although noting their existence, has nothing to say about their effect as incentives or their impact on morale.

/Much more

Much more useful, from this standpoint, is the payment of bonuses and provision of services based, not on profitability, but on productivity, both individual and collective; but this requires that there should be reasonably sophisticated means of measuring productivity and of apportioning responsibility for it. So far as workers are concerned, the simplest method is the introduction of piecework schemes; but whether this is possible depends both upon the nature of the enterprise's operations and the reactions of the workers to this particular form of remuneration, which differ from country to country and from industry to industry. In some countries, productivity bonuses of various kinds are paid in addition to profit-based bonuses. The French enterprises, for instance, have both profit-sharing schemes and "output" bonuses, individual and collective. Iraq also reports the supplementation of its legally-prescribed profit-sharing plan by what it describes as "additional remuneration for meritorious performance"; but does not explain precisely how "merit" is measured. What is obvious is that there is plenty of room for fruitful experiment and for interchange of different national experience in this field.

Among other specific incentives is the introduction of schemes for worker participation in managerial functions, by way either of representation on decision-taking bodies or of membership of consultative committees. This is such a big and controversial subject that its adequate discussion would need a separate and very lengthy report.

Here one can only record that the demand for "participation" seems to be growing everywhere; that most countries have equipped their public enterprises with some form of consultative machinery; and that a few have decided to involve the workers, usually through their trade unions, in actual managerial functions. Of the latter group, France has the longest experience of "participatory" practice. By her nationalization laws, dating from the period immediately following the Second World War, she established "tripartite" Boards of Directors on which the workers received representation. Turkey has recently introduced a similar type of participation.

With regard to problems of measuring efficiency in public manufacturing enterprises, it has already been indicated that, profit, however calculated [1/] fails to provide a meaningful yardstick except where competitive conditions prevail, which is rarely the case in the less developed countries. Even in the more developed it is rarely adopted as the sole criterion. France, which regards other tests of efficiency as "secondary", nevertheless admits that there are cases where the profitability criterion is "debateable" (e.g. when the state is the sole purchaser of the products of a public manufacturing enterprise) and where other criteria must be used (e.g. when the enterprise has as its main objective the trying out of certain technological innovations, or is striving to obtain a foothold in markets that are as yet potential rather than actual).

Efficiency can be measured only in relation to defined objectives. As, in many countries, the objectives of public manufacturing enterprises have received no more than vague and ambiguous definition, any form of efficiency measurement may be a difficult exercise. Even where clear definition of objectives has been attempted, difficulties are likely to arise from the fact that many public manufacturing enterprises are expected to pursue "social" as well as purely commercial goals. The problem of giving each kind of goal its due emphasis is well illustrated by the document issued by the Bristish government in 1961, entitled "The Financial and Economic Objectives of the Nationalized Industries" which first defined the government's main task as that of ensuring "that the industries are

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1/ Different countries use different methods for the calculation of profitability, and some have as yet failed to standardize their methods. The method most normally used is net yield in relation to total capital employed, expressed as a percentage. Some countries, however, use annual production costs as the denominator, and some use turnover. India reports "no uniform practice", and the Sudanese rapporteur says that "no scientific method" is used, apparently on the ground that profitability is not regarded as an important criterion. Lack of detailed information prevents one from attempting to assess the advantages and disadvantages of the various methods. We would emphasize, however, the importance of the adoption of a <u>common</u> standard, within a particular country, if profitability is to be used as one of the criteria for comparing the performance of different enterprises.

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organized and administered efficiently and economically to carry out their responsibilities, and that they are thus enabled to make the maximum contribution towards the economic well-being of the community as a whole", but then immediately added that "although the industries have obligations of a national and non-commercial kind, they are not, and ought not to be regarded as social services absolved from economic and commercial justification". From 1961 onwards an attempt was made to bridge this dichotomy by setting five-yearly targets, expressed in terms of percentage return on total capital, which would take into consideration both the "commercial" and the "social" obligations of the industries concerned. Of recent years, however more sophisticated techniques have been developed, using the devices of Discounted Cash Flow (DCF) and cost-benefit calculations. These are useful both for choosing objectives and for defining them in quantitative terms. They also greatly facilitate the task of checking performance. But they by no means offer anything in the nature of automatic problem-solving devices.

Once targets have been decided on, a whole battery of criteria are available to measure the economic efficiency with which a public manufacturing enterprise is striving to reach them. One will be interested in how economically the enterprise is using its capital resources and its inputs of raw materials, fuel and power; in what steps it is taking to save on overheads and inventories; in the results of its efforts - if any - to raise the productivity of labour; and in the changes that are taking place in cost per unit of production of given quality. On the basis of these and other criteria, an efficiency "profile" of the enterprise may be built up over the years, and with its help weaknesses may be identified and corrected. In the developed countries such criteria are being regularly employed; in the less developed countries they are often used, if at all, only fitfully and inexpertly.

Governments are sometimes afraid to use them, because they do not wish to expose to public inspection the inefficiency of the enterprises for which they are responsible; but even in more favourable political circumstances, knowledge of <u>how</u> to use them is often absent, except among the inadequate number of trained efficiency experts, usually concentrated in the central ministries rather than spread out among the enterprises themselves.

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It is therefore a matter of no surprise that reports from the less developed countries on "criteria for efficiency" tend to be rather vague. Many discussions specified "fulfilment of plan targets" and this indeed, is an objective as important as it is obvious. One is aware, however, that plan targets tend to be expressed in industry-by-industry figures for global, physical production. Unless these are broken down into specific assignments, both physical and financial, for each undertaking, they cannot offer even rough-and-ready criteria for the assessment of performance. Other criteria specified are "best use of resources", "output", "quality", "production costs", "prices", "meeting of demand", and "non-financial, social and economic objectives". Such a miscellaneous collection shows little more than that the governments concerned are in favour of virtue and against sin. They do not provide evidence of any attempt at precise definition of objectives or at precise measurement of the extent to which the objectives are being reached - although there is no doubt that such an attempt is actually being made, more vigorously in some countries than in others.