

THAILAND'S NATIONAL ECONOMIC DEVELOPMENT CORPORATION LIMITED : AN EVALUATION WITH SPECIAL EMPHASIS ON THE POLITICAL IMPLICATION

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I. PURPOSE OF THE ARTICLE

As its name implies, public enterprise carries with it the involvement of the government in the activities which are supposed to operate more or less under business conditions. The governmental influence is pervasive and worth while studying. This influence is sometimes concealed but this is understandable, if special attention is paid to it. Academic benefits should be gained from such critical examinations. This study analyzes the interrelation between political significance and a public enterprise in a small country. The enterprise's financial outlay was rather large for such an inexperienced country. It accounted for almost 5-7% of the annual national budget at the time (1958). This case study is taken from Thailand's National Economic Development Corporation Limited (NEDCOL). It is an evaluation of problems and political constraints reflected from a hypothesis that political preference is more predominant in this business-like enterprise. The article is based on information available up to 1964.

II. PROLOGUE AND PROBLEMS OF NEDCOL

A. Prologue

It has usually been a point of criticism by most *laissez faire* economists that in Thailand the area of public engagement in business is too widespread. Such engagement goes beyond the area of public utilities into direct competition with the private sector, although such profit-making bodies are usually of limited size, or by government definition, are strategically necessary. This intention, however, seems to be at odds with the present case.

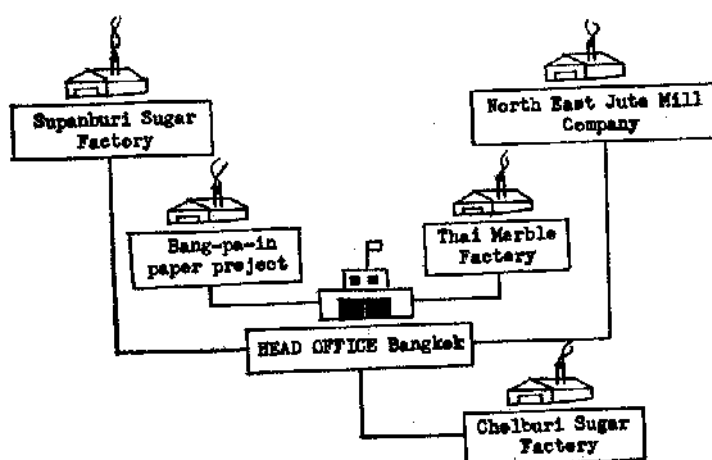
Although the Government owned a majority share, the National Economic Development Corporation Limited was set up in 1954 nominally as a private

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private enterprise with an authorized capital of 50 million baht (\$ 2.5 million). Of this only 25% was called for payment and only about one-fourth of that amount (3 million baht or \$ 150,000) was actually paid in any sense.¹ As it will be seen later, this amount was meaningless compared with the activities it was engaged in.

In the organizational structure of the company, two of its subsidiary projects were operated as branches directly responsible to the Head Office in Bangkok while the other three were operated as subsidiary companies in which NEDCOL had share interest ranging from 34% in one case to 99.6% in another case.²

Existing between government and private ownership, its activities were in the areas of producing paper, jute and marble. The units are as shown below:



Since it was originally intended to be a private enterprise, management responsibility was given to an influential Chinese who died in an airplane crash not long before this case created problems.

B. Deficiencies; Problems and Tragedy

To exemplify how important the political influence was which has played a role in this case, the author will present the reasons for the failure of the company together with the accompanying political behaviour as far as is necessary.

¹John A. Loftus, "Notes on NEDCOL" (mimeographed) and Thai Minister of Finance, Letter dated October 3, 1957 to John A. Loftus (mimeographed)

²Loftus, *ibid.*

It is coincidental indeed that there was a great revolution in Thailand in the year 1957, a time when the succeeding government (Field Marshall Thanom's) found itself being bound with the NEDCOL's debt burden. The previous government had been the guarantor for NEDCOL's loans and some of them were about to fall due. This situation pressured a government decision to do something to settle the matter itself. The reasons are given below.

The problems are divided for presentation purposes into four parts—capital, debt, project and production and management as follows;

1) *Capital Problem* The inconceivable mismanagement of NEDCOL began from the time when capital was raised.

At NEDCOL, the juristic persons who owned 371,000 out of 500,000 shares did not pay any part of the purchase price of their shares. According to the investigative report: *"the most that they did was to allow their names to be used on the registration statement of NEDCOL and there appeared to be some doubt whether they were even asked for their permission... All these shareholders had neither the moral nor legal right to hold shares, they had subscribed nothing and they had paid nothing."*³

For the remaining 129,000 shares, it appeared that the shareholders did not pay for their shares either; but the shares were paid for at 25% of the par value by the manager himself out of the "exchange profits". This sum of money, although precise evidence was not found in the books of the company, was assumed by the investigation to derive from the gains realized by exchanging foreign currency of the money loaned from the foreign bank and put in by the manager.⁴ In other words, the fact was that no one had contributed capital funds to the company at all.

Secondly, the capital that was raised from misrepresenting the actual conversion rates was only 3 million baht (\$ 150,000). This was nothing but a rather a deceiveable manouever designed to set up the company. If not, it might be expected that with the financial resources obtained from borrowing abroad and within management capability, the manager could have operated the company and then would have been able to acquire some profit at a later date. Anyway, this should be termed as default and dishonest. For the manager, if acting in the name of the manager, performed an ultra vires act, but if acting in his own personal capacity, stole money from the company. The registration statement filed with the Registrar

³John A. Loftus, "Memorandum: Problems of the National Economic Development Corporation to Thai Minister of Finance dated October 31, 1957" (mimeographed)

⁴*Ibid.*

of Companies was also fraudulent in this case. The National Economic Development Corporation Ltd. had no genuine equity capital at all.

2) *Debt Problem* Turning from the asset to the liability side, NEDCOL had a tremendous amount of debt, both external and internal. The results were distressing in the sense that it was conclusively established that the existing structure of five to seven year debts from 1958 could not be paid within their term. From 1958 to 1963 inclusive, NEDCOL's total external contract obligations came to \$ 30,072,000, of which \$ 20,072,000 were the costs of capital goods for all operations except the Marble factory including the installment credits which the suppliers of the capital goods had extended. The other \$ 10,000,000 was a loan extended by the Bank of America for domestic use by the company.⁵

The debt burden was unmanageable because firm foreign obligations had been incurred for domestic cost components. This was the error in its debt policy, for according to general principles, all local currency and working capital requirements should be raised from domestic sources. Moreover, the interest on the loans was exceedingly high in several instances. The most important fact is that since there were no tangible shareholders, the government, as the debt guarantor, was responsible for the unpaid debts.

3) *Project and Production Problem* The questions which may be probed further after considering the two opposing sides of the account are likely to be to what extent the company can return earnings to cover expenses and whether there is any possibility for a profit.

In the case of NEDCOL, it might generally be said that these had not yet been attained because of two crucial factors – the incompleteness of the projects and the inefficiency of a management which needed drastic reform.

Because of their dissimilarities, each of the production plants will be discussed separately, in order to emphasize the particular problems of each.

(a) *The Bang-Pa-In Paper Project* It is the largest and most costly of all the projects. The estimated final output for the production of writing and wrapping paper is 60 tons per day. At the outset a 40-ton per day production level had been scheduled. Initially the soft wood pulp, one of its inputs, was to be imported but eventually it would be replaced by bamboo pulp from another domestic paper mill. The cost of this project was in the neighborhood of 15 million.⁶

The work of the project was not very far advanced in 1958 limited only to the driving of piles at the proposed site. The delivery of structural shapes and industrial equipment would arrive in Thailand in late 1958. According to Dr. John

⁵John A. Loftus, Letter dated October 31, 1957 to Thai Minister of Finance (mimeographed)

⁶John A. Loftus, "Notes on NEDCOL" (mimeographed)

A. Loftus's estimate it would take another two or three years before the mill could be operated.

(b) *The Supanburi Sugar Factory* was designed to handle 1,500 tons of cane per day, with a possibility of expanding to 2,000 tons per day. It was to use the most modern type of equipment. The factory was nearly completed at that time and according to an optimistic view, was scheduled to go on stream on March 15, 1958.⁷

The primary problem here would appear to be not the machinery or the mechanical processes, but the agronomic and economic problem of obtaining adequate supplies of the best quality of cane. Although it was expected that with the proper kind of seeds grown in the recently irrigated available area, the amounts should sufficiently supply the factory's needs. At the time of this crisis, however, the available cane supply was still falling too short to run the factory. For example, according to rough economic analysis, the factory would have to operate for about 150 days per year in order to be a commercial success in the sense of being able to pay the suppliers' credits when due, but the available cane was estimated to run the factory for only 20 days at its full capacity. It was unlikely that the level of cane supply would increase to the required one before another three or four years.⁸ This was due to inadequate planning.

(c) *The Cholburi Sugar Factory* was the only one of the NEDCOL enterprise that was a commercially successful going concern with a modest profit. However, the level of profit was not yet satisfactory and according to expert, could be improved only by efficient management and technical improvements.

(d) *The North East Jute Mill Company* consists of an old mill (about 80 years old) purchased second-hand and another new mill.

The old mill was not only technically inefficient but also represented a high burden of interest costs to the company. Suggestions had been made to write it off or scrap it. The two mills combined had not yet been able to operate at full capacity, which was scheduled at 7,000 to 8,000 bags per two shift day.⁹

The principal problem confronting this mill company was that its location was selected on political rather than economic grounds, and it turned out to be such an agriculturally poor section of the country that the Bengal Jute could not be grown at all. The only substitute was kenaf which was grown extensively but was of uneven quality at a distance of about 70 to 80 miles away from the mill company.¹⁰

⁷*Ibid.*

⁸*Ibid.*

⁹John A. Loftus, Letter to the Minister of Finance dated March 18, 1958 (mimeographed)

¹⁰*op. cit.*

(e) *The Thai Marble Factory* had another kind of problem. Its supply of available raw material was the most abundant and was of excellent quality and its equipment was rather good, but there had not yet been any organization for marketing its finished products.¹¹

In sum, all these five producing units were in unfavourable conditions.

4) *The Management Problems* In addition to the inappropriate measures mentioned earlier, there were further management deficiencies.

Firstly, there had been several unreasonable investments, large and small, equity and loan, in enterprises and companies outside the management's proper scope. These might be termed "bad investments" in the sense that liquidation of them would entail substantial loss. There was found to be considerable over-spending in such luxury items as housing and automobiles.

Secondly, the budget for the respective projects was of the most general character and provided no scope for operational and financial control. There had never been efficient practice of thorough-going analysis of the economic situation. Market financial controls were not standardized and counter-signed. In other words, the company had many of the frequent problems claimed by S.S. Khera¹² which are of special importance in new undertakings for three stages of a project.

Thirdly, there was often over-valuation of inventory and capital goods. In one instance, it was very serious indeed to find that the price paid for the purchase of structural frames and machinery of the paper factory was very much higher than the market price.

One interesting question here is why the government was willing to guarantee debts for NEDCOL. If it had not, the foreign creditors would not have loaned 100% of the capital for a composite of industrial ventures so carelessly formulated and so unscientifically prepared. From looking at different sources and deducting from them, I find that the company was backed by one of the most powerful parties at the time and its main purpose was to spread influences throughout the country.

In sum, the National Economic Development Corporation Ltd. was insolvent. It was neither financially nor managerially competent to carry on further. What was left to the post-revolutionary government was to find out what to do with this large company—large in the sense that it was likely to cost a considerable sum of national money if the government decided to save it and as it had already wasted a considerable sum in the past.

Admittedly NEDCOL was a left-over responsibility and the government was inextricably involved. It was in a highly disagreeable situation to take over,

¹¹The Marble Company was soon being separated from NEDCOL.

¹² S.S. Khera, *Government in business* (New York: Asia Publishing House, 1963), pp. 270—92.

as Prof. Robson said,¹³ but in this case the government did not have too much room for choice.

III.

BASIS FOR GOVERNMENT MEASURES AND DECISIONS

A. Possible Choices

Decisions then rested on the government whether which one of choices of *liquidation*, *state intervention* or *private concern* was possible under the circumstances prevailing at the time.

Liquidation should be taken into account first, since the government (especially the new one) might not become too much involved with this type of compete-with-private enterprise, which had always been commented upon. However, because of its financial and psychological implications, total liquidation was not recommended. According to the foreign economic advisor¹⁴ who mentioned in this connection that it was too late:

The moral and psychological shock which would be entailed in the abandonment of the whole of the National Economic Development Corporation program would probably set back the industrialization of Thailand at least a decade. This psychological shock would extend not only to potential industry circles which have watched anxiously the growing pains of National Economic Development Corporation; but would also extend to those agriculturists—cane growers, jute growers, etc.—who had been led to believe that there was emerging a stable outlet for their output.

The financial losses that would have to be endured in any liquidation procedure would also be painfully large. The most expensive items of physical property that would have to be liquidated were either specific or else they had already been largely put into place in Thailand and their removal would entail needlessly large costs.¹⁵

On the contrary, subject to good management and conservative financial control, most of the enterprises were ready to begin operation which could worth a try. There might be some reason to think that with a little more time and with

¹³Robson, William A., *Nationalized Industry and Public Ownership* (London: George Allen and Unwin, Ltd., 1960), p.487

¹⁴John A. Loftus, Letter dated October 31, 1957 to Thai Minister of Finance, and John A. Loftus, "NEDCOL" dated May 15, 1958 (mimeographed)

¹⁵John A. Loftus, Letter dated October 31, 1957 to Thai Minister of Finance (mimeographed)

some prudent expenditures of relatively small sums the operation could be converted profit-making basis.

However, the government still reserved the need to have partial liquidation if possible. The Bang-Pa-In Paper Project was too large, too costly and short term burden of paying back was too great, but negotiation with the foreign suppliers later became fruitless. Because of irregularities in the equity capital structure of the company, temporary nationalization was then inescapable. The company was, for the period of 1958-1963, about \$ 4 million short of solvency and some extension of maturity had to be made on a part of the present debt.¹⁶

In order to be able to operate the enterprise, it was estimated that the company would never be on a sound financial footing until it had an adequate equity subscribed and paid. It was further estimated that a total amount of 600 million baht (\$ 20 million) was needed. In other words, this meant that to keep the number of shares at a level of 500,000, the par or authorized value of 400 baht per share or 600% of the original nominal amount of authorized capital was needed.¹⁷

With every reason, it was unlikely that under such weak and unreliable background, any private or foreign investors would be interested to participate in further operating it, although the government had provided a lapse of time for such participation.

The proposal recommended by the economic advisor urged an immediate decision by the government because of pressure of debt obligations. An aggregate amount of at least 300 million baht (\$ 15 million) was required. This estimate was based on the principle that after all debts had been paid and after certain items were deducted, the value of the capital stock would more or less equal to the net worth of assets of the company. Thus there would be a reasonable prospect of selling shares in the company to the general public at approximately their par value.

The items which should be deducted were:¹⁸

- (i) the large component of interest included in the purchase price of various categories of plants and machinery.
- (ii) squeezing out of the water in the company's assets representing over pricing of industrial plant.
- (iii) sundry wasted assets and bad investments

Of 300 million baht, 200 million baht, would be required in the first year (1958) to pay for:

¹⁶John A. Loftus, "Memorandum: Problems of the National Economic Development Corporation to Thai Minister of Finance dated October 31, 1957" (mimeographed)

¹⁷John A. Loftus, Letter dated February 21, 1958 concerning budgetary requirements for NEDCOL to Thai Minister of Finance (mimeographed)

¹⁸*Ibid.*

- (i) working capital requirements for the various projects as well as the payroll and administrative expenses of the head office in Bangkok against which there was no offsetting income, but excluding the Cholburi sugar Mill for which they could provide for themselves 67,000,000 baht.
- (ii) mandatory debt service requirements 43,500,000 baht.
- (iii) requirements for optional but highly desirable retirement of existing debt (short term indebtedness for which interest burden was estimated at 10,000,000 baht per year) 83,000,000 baht.

Another alternative was that if the above amount could not be provided in full, 100,000,000 baht should be the absolute minimum amount for 1958, in which case two major losses must be sacrificed:

(i) it would perpetuate the expensive interest burden that lay upon the company.

(ii) it would delay progress on the Bang-Pa-In Paper project.

The above information provided a basis for the government to decide both in principle and details. To carry over not only involved a considerable sum of money from the budget, but also required a highly capable management to operate it. In the interim period where the government also lacked experience in dealing with such a complicated business structure like NEDCOL, there was a *prima facie* case for the need of more diverse talents than could be expected to reside in any one person. If so desired, it was now also the primary concern of the government to ensure that the objects with which the corporation was set up were fulfilled,¹⁹ because it would be a full-fledged public enterprise.

B. Management Improvement

If the government agreed to accept NEDCOL, attention should be given to the possibility of hiring an industrial engineering firm on contract to design and to introduce such things as a budgetary system, voucher, procedures, market analysis techniques, etc. . What was primarily needed was the installation of "systems".

In addition to these fundamental requirements, there was a need for a set of recommendations governing such matters as conduct of labor relations, factory management, transportation, warehousing and maintenance of stock records (inventory control) and procurement of raw materials, including particularly the adoption of correct agronomic policies.

In this case, the government invited eight firms in the U.S. to offer a bid to be the management consultant. Finally it was agreed that the Henry J. Kaiser Company of the United States would be employed as management consultants.

¹⁹*Ibid.* Annex C.

However, the contract was limited only to a survey and recommendations of a management plan for both the subsidiaries and the parent organization, recommendation on financial control, including setting up books, budget controlling, evaluation of the fixed assets in existence and when complete, budget forecasts, assisting in installing accounting and record-keeping systems, fiscal control and management practices which could be immediately instituted without waiting for the completion of the report. The management services which would be needed after the first phase of management report was completed had not yet been decided because exact outlay was not yet available from the government budget.²⁰

IV. POLITICAL CONSTRAINTS

A. First Phase

The proposed systematic salvage plan seemed to be another good beginning, if the government would be able to comply with it without any restraint. However such was not the case with the fate of NEDCOL, where political uncertainty existed.

The fact was that the government was not able to provide the proposed funds for NEDCOL either in the annual budget of 1958 or in the first half of 1969. The main reasons appeared to be partly that the government was hesitant to spend such a large sum for this doubtful activity inherited from the old government out of fear of public dissatisfaction and partly out of pressure from the World Bank, from which the government was receiving loans. According to a letter written by the Minister of Finance to the resident representative of the International Bank for Reconstruction and Development:²¹

...as the bank surely appreciates, there is no provision in the budget for any of the financial requirements of the NEDCOL which is now a governmentally owned and controlled entity. Certain external obligations of NEDCOL will mature during 1958 and some provision will doubtless have to be made for the payment of these obligations if they cannot be refunded...

Of course those debts were at the time approaching a critical stage and immeasurable damage would have been done to the financial reputation of the Government of Thailand.

²⁰John A. Loftus, "Memorandum: Proposals for Management Consulting Contract" dated February 1958 to Board of Directors of NEDCOL (mimeographed)

²¹Thai Minister of Finance, Letter No. 25695/2501 dated May 29, 1958 to Mr. Gordon M. Street, Resident Representative, International Bank for Reconstruction and Development, Bangkok (mimeographed)

The political constraint however, was not limited to the problem of budgeting alone, but also extended to the implementation of the contract with the Kaiser Corporation. The intended services of these experts were largely nullified because the Thai authorities could not give them meaningful terms of reference.²²

For example, the Thai authorities had asked the experts to prepare cash flow budget analyses of the parent company and the constituent enterprises but later they nullified this request by ensuring that there would be no cash inflow from budgetary sources. Cholburi, Supanburi, Bang-Pa-In, the Jute Mill at Korat and the Parent Company were all incurring losses in the sense that their cash outgo requirements exceeded their cash income from operations.

The Thai authorities asked the experts to prepare reasonable estimates of the value of the company's assets and to recommend a sensible capitalization; but by budgetary omission they had made any sensible capitalization program impossible. The government was certainly the majority (in a real sense—the only) shareholder; and the government had implicitly declared its unwillingness to pay in the kind of capital needed to permit the creation of a sound capital structure.

In summary, the main reasons for rejecting the three successive proposed plans and my comments regarding them are as follows:

Firstly, the Kaiser consultants' proposal for a financial plan for NEDCOL called for an immediate appropriation of the sum of around 950 million baht (\$47.5 million) from the government (approximately 16–17% of the national annual budget at that time) which was found unacceptable.²³ In this connection, it had clearly shown how seriously the government would have to take into account the macroeconomic interest as well as the political perimeter they were able to exercise in considering this matter. Sixteen to seventeen percent of the budget was much too high a figure for one single industry (especially the sound one) comparable to the approximate amount allocated for the education sector of the whole country.

Kaiser's proposal in this case, although very logical from the economic point of view but from this view alone, seemed to lack pragmatic value. What they did not consider was the detailed information about the political and the economic position of Thailand as a whole. They tended to favor a saving of 100 million baht (\$ 5 million) of interest if all debts were suddenly paid, thus avoiding any further possible loss. This was obviously a private business-oriented view such as would be held in a rich country where such an amount is easily found. In Thailand, such funds

²²John A. Loftus, Letter dated May 15, 1958 to Thai Minister of Finance, John A. Loftus, Letter dated June 30, 1958 to Thai Minister of Finance, John A. Loftus, "Aide Memoire dated November 7, 1958" to Thai Minister of Finance, John A. Loftus, Letter dated December 22, 1958 and John A. Loftus, Letter dated November 7, 1958 (mimeographed)

²³John A. Loftus, Letter dated August 1960 concerning Finance Planning for NEDCOL to Thai Minister of Finance (mimeographed)

would be unrealistic for earmarking NEDCOL. Thus the government reaction then should be considered reasonable.

Secondly, let us now turn to the second and the third alternatives which were proposed by the foreign economic advisor, to whom these responsibilities were assigned. All were concerned with the financial requirements.

The first one would cost the government 500 million baht (\$ 25 million) to the 1959-60 budget and second one amounted to 467 million baht (\$ 23 million) in 1959-60 and 175 million baht (\$ 8.7 million) later.²⁴

These, however, did not receive government approval, although it was obvious that the government was well aware of the incremental amount of interest rising from the debt obligations of NEDCOL. One of the facts was that the government under review was a revolutionary government whose objectives were to gain popular confidence and to accelerate those programs which were in more logical places and which had a direct impact on the people. The problem here was whether the government would take any decisive action. Inaction left the question as to whether the government intended to rectify the various irregularities in the legal status of NEDCOL and its subsidiaries ambiguous. The government would be prepared to accept the fact that there had already been substantial losses which could not be recouped. The only practical possibility was to accept these losses as fact and to write them off promptly.

The conflict between the political elites in the government and economists such as the foreign economic advisor and others could not be compromised at that time. It is very interesting at this point to remember that although this advisor had been working in the country for two years, and had been concerned very closely with the economic and financial situation of the country and was familiar with the current problems of the NEDCOL, he was unable to propose the required plan. This was not due to any lack of capability but only confirms the importance of politics.

B. Second Phase

In this connection, what the government could do would be to put off all the debts which were due and accept additional reimbursement. From the economic point of view, this constituted a serious loss to country. The government had to confirm obligations and ask that creditors wait until the following year, during which time they would investigate the old management.

The government, however, was able to allot on July 1, 1959 an initial sum of money as an *inter alia* for overdue debt payment, necessary working capital for

²⁴Summary: 1958 Budget for NEDCOL dated February 21, 1958, John A. Loftus, Letter dated July 24, 1959 concerning NEDCOL and John A. Loftus, Letter dated August 9, 1960 to Thai Minister of Finance (mimeographed)

operating, investing in agricultural input production and construction work at the Bang-Pa-In paper factory. Since that date NEDCOL has operated for the first time in its corporate history with favourable progress. The grant was accompanied by various government decisions in appointing a new board of directors which included the Minister of Finance as chairman, a general manager and a full time deputy manager. An advisor was appointed and certain key personnel in the head office and at the factory level were replaced. Some redundant legal entities were abolished had certain procedures in accounting and budgeting were adopted. The endeavour to improve NEDCOL by utilizing provisional indigenous personnel showed significant changes in the condition and prospects of the company, even though two other significant deficiencies remained.²⁵

Firstly, the government still had no financial plan. Decisions as to the availability of funds were made year by year, and this made it impossible to plan in advance. Between 1959 and 1964 the government was able to allot the sum of about 635 million baht (\$ 31.75 million) to NEDCOL, an amount which can be said to have been underutilized.

The second unfinished task is the search for a management team from abroad. The government still is interested in acquiring foreign management potential of highest caliber, since it has recognized the wide scope of the NEDCOL activities and the inexperience of their personnel. According to Kaiser's last report, "sweeping managerial changes" are needed.

V.

CONCLUSION AND OBSERVATIONS

As far as the economic consideration is concerned, the case of NEDCOL constitutes two main problems. The first one is the weakest point in investing scarce resources for accelerating economic development of the country. Capital funds might have been invested in other industries which were much more needed. The second one is that a large sum of money was absolutely wasted during the pre-revolutionary government and the post-revolutionary government had to pay amounts of interest which were out of proportion to the loans which had been originally intended for profitable investments. The effects are probably higher than that, although it is impossible to measure them accurately.

All these problems could have been avoided had it not been the political influence that determined it.

²⁵John A. Loftus, Letter dated August 9, 1960 to Thai Minister of Finance and John A. Loftus, Letter dated February 8, 1960 (mimeographed)

Considered in terms of the objectives of the new government, the conditions were unfavourable to them for at least two reasons. (1) The commitment for a large amount of debt was in conflict with the intention of the revolutionary party's policy to minimize public ownership, and (2) The psychological effects which the government had to maintain among the people who were not satisfied with the management of NEDCOL, are important. When the new government took over the NEDCOL, it was looked up by the people with suspicion. They didn't want to see the old story repeated.

Enough has been said about the lack of economic analysis and incompetent and mismanaged entrepreneurship. Let us conclude the study with propositions which may specially be observed in the field of public enterprise.

1. Most of the initiators of the enterprises are often influential political personalities who by themselves do not have experience in operating the industry.

2. In such case, political manipulation may tend to dictate investment in non-economical enterprise for want of achieving political purpose. Hence, public enterprise is not only a tool for economic development planning, but a means to increase political power. In future cases though, it may be at the expense of the nation as a whole.

3. The more the political requirements of the incumbent regime are, the more complicated the management practices will be.

These propositions should be tested specially in the country where popular control over government is not strong.
