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STATISTICS OF ENTERPRISES  
(Memorandum prepared by the Secretary-General)

I. Introduction

1. At its seventh session the Statistical Commission requested the Secretary-General to study the problems of tabulations of data in basic industrial statistics and of statistics relating to enterprises (financial structure, types of ownership, etc.) and to make recommendations to the Commission in these fields (E/2365 para 74(IV)). The present paper is concerned with the second part of this request, viz., the question of statistics of enterprises. Initially the context within which this request was formulated may be briefly outlined.
2. The Statistical Commission at its sixth session had adopted recommendations inviting countries to consider the periodic collection of a specified list of industrial statistics and had requested the Secretary-General to prepare a set of definitions of the recommended items of data. A draft set of these definitions was considered by the Commission at its seventh session embodied in the memorandum of the Secretary-General entitled "Definitions in Basic Industrial Statistics" (E/CN.3/145). This memorandum had been drawn up in the light of extensive discussions at Geneva of the Second Regional Conference of European Statisticians and at Bangkok of the Second Regional Conference of Statisticians in the ECAFE area. Informal consultation with a number of countries with wide experience in this field had also been held.

3. It is noted in this memorandum that one of the more significant criticisms of the proposed list of items of data which had emerged in the course of these discussions was that the statistics recommended referred to establishments as distinct from enterprises; and that although for most purposes, it was statistics on establishments which were needed, there were nevertheless some purposes, such as studies of the concentration of ownership and of the economic efficiency of different forms of organization for which statistics on enterprises were essential. The memorandum proceeds to suggest that the recommended list could be subdivided, or a new list drawn up, to indicate the statistics required from enterprises (paragraph 8).

4. This criticism of the scope of the recommendations may be considered at three different levels of significance according to the nature and extent of the suggested amendment. In the first place the criticism may be based on the omission of any inquiry into the relationship of the establishment to the parent enterprise. Since in contemporary industrial censuses, for example, data on the ownership of the establishment and its status within the enterprise are frequently collected. The principle interest in such information lies in the fact that its collection makes possible the construction of a file on the industrial structure and activities of each enterprise, through the integration of the data from its constituent establishments.

5. Secondly the suggestion may have related to the collection, as an essential supplement to the recommended industrial statistics, of material on the financial structure and activity of the parent enterprise. Potentially such data may have reference not only to the co-ordinated activities of a number of dependent establishments, possibly in more than one industrial field, but also to the non-industrial activities of the enterprise. It cannot in general therefore be adequately considered on an establishment basis.

6. Thirdly there is the more far-reaching proposal that such data on enterprises should be considered as of either independent or primary significance instead of as merely supplementary to the industrial data obtained on an establishment basis. The required study of enterprise statistics would, in this case, be more or less parallel in form to that already presented on establishment statistics.

## II. Contemporary Practice in Industrial Censuses

7. It has been pointed out that the general practice of employing the establishment as the basic reporting unit of industrial censuses does not preclude the explicit collection of data on the corresponding enterprise. In many cases a limited range of such material is obtained as supplementary information on the characteristics of the establishments, while in a few cases the census schedules include a number of questions with independent reference to the enterprise. The actual extent to which information on enterprises is currently gathered in industrial censuses was investigated for the countries listed in the accompanying table by an examination of the respective schedules, relating generally to the most recent inquiry. A summary analysis of the information requested in these schedules specifically referring to enterprises is given in the table.<sup>1/</sup>

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<sup>1/</sup> In some cases an annual industrial census is taken dealing with a relatively restricted range of industrial statistics, while a more detailed survey is made at less frequent intervals, e.g. quinquennially or decennially. Where possible the schedules of the most recent major inquiry have been considered for the table given.



## ENTERPRISE DATA IN CONTEMPORARY INDUSTRIAL CENSUSES

Country	Year of Census	Ownership	Legal Form of Ownership	Status of Establishment	Year of Transfer to Present Owner	Gen. Statement of Assets and Liabilities	Nationality of Private Capital	Date of Foundation of Enterprise	Other Relevant Information Required
NORTH AMERICA									
Canada	1949	x	x	-	-	-	-	-	Data on proprietors, nationality, shareholding etc. Whether change in ownership during year. Location of ultimate control.
Mexico	1951/2	x	x	x	-	x	-	-	
United States	1947	x	x	x	-	-	-	-	
OCEANIA									
Australia	1949/50	-	-	-	-	-	-	-	
New Zealand	1949/50	x	x	-	-	-	-	-	
SOUTH/CENTRAL AMERICA									
Argentina	1946	x	x	x	-	x	x	-	Investment (cumulated and net) in establishment.
Brazil	1950	x	x	x	-	x	-	-	Principal statistics of enterprise establishment (Central Office).
Chile	1948	x	x	x	-	-	-	-	
Colombia	1945	x	x	x	-	x	-	-	
Dominican Republic	1950	x	x	x	x	-	-	-	
Guatemala	1950	x	x	x	-	x	-	x	Sources of finance for investment during year.
Puerto Rico	1952	-	-	-	-	-	-	-	
Uruguay	1948	x	x	x	-	-	-	-	Whether owned by nationals or foreign owned.

8. It will be seen that three questions on the character of the enterprise to which the establishment belongs are asked in the majority of countries listed. First, there is the name of the proprietor or company of ownership, together with the location of the main establishment or office. Secondly there is the legal or institutional form of ownership. Thirdly, there is the status of the establishment within the enterprise; that is, whether it is the only establishment, the main establishment or a branch establishment. These three questions are briefly discussed in the following paragraphs.

9. It is clear that the mere eliciting of the name of the company to which the establishment belongs does not always provide us with information on the location of the ultimate control of the establishment. It follows that if we define the enterprise in terms of the location of ultimate control, further information is necessary to establish its identity. This is the position adopted, for example, in the United States Census of Manufactures where a supplementary question inquires whether the company operating the establishment is a subsidiary of some other company, that is, actually controlled through ownership of voting stock or otherwise. This position was also taken by the United Kingdom Census of Production Advisory Committee when it decided that a voluntary inquiry should be made in conjunction with the 1935 Census of Production into the connexions between firms in the higher ranges of size. This Committee considered that the proper unit to take for this purpose was the controlling company and its productive subsidiaries as defined in the 1929 Companies Act.

10. Generally, however, such ramifications of control are not provided for in census schedules, so that the statement that a body of material on enterprises can normally be constructed from the individual establishment records is subject to an important qualification. In those cases where the distribution of ownership of the company's share capital is requested in the schedule, it may be possible to establish where the immediate control of the company rests.

11. The question of the legal or institutional form of ownership of the enterprise ostensibly raises few difficulties, although the number of possible forms varies considerably from country to country. In the majority of cases such categories as individual proprietorship, partnership, joint-stock company and co-operative association are differentiated.

12. The position of the establishment within the enterprise is dealt with by the third question. Frequently the request to state whether the establishment is an only establishment, a main establishment or a branch establishment is accompanied by a supplementary question on the location and nature of the activities of the subsidiary establishments in the case of a main establishment; and on the location of the main establishment and the principal activity of the enterprise, in the case of a branch establishment. In this question the enterprise considered is generally the operating company.

13. The second major field in which statistics of enterprises are collected in industrial censuses relates to the financial structure of the enterprise. The bulk of the information requested here is on the balance sheet of the enterprise - primarily the nature and structure of its capital liabilities and assets. Particular attention is generally concentrated on the distribution of liabilities according to specific categories. For example, both the relative contributions of the State, commercial banks and private individuals, and the relative amounts and sources of foreign-held capital in the total are frequently investigated. On the other side, the investment which has been made by the enterprise in the establishment is occasionally requested as a supplement to the general statement of the fixed capital assets of the enterprise. It will be seen from the table that the collection of such information is restricted to a comparatively small number of countries, the majority of which have relatively substantial amounts of foreign capital invested in their industry.

14. A subsidiary field of inquiry which appears in some schedules relates to such details of the history of the enterprise as its year of foundation and the year in which the establishment was transferred to, or first operated by, the present owner.

15. This general discussion of contemporary national practice is illustrated in the following paragraphs by consideration of the specific cases of national practice in the United States, the United Kingdom and Brazil respectively.

#### United States

16. In the United States the Census of Manufactures schedule normally includes questions on the nature and form of the immediate ownership of the establishment, and the status of the latter within the parent enterprise. In the published reports of the Census the results of these inquiries appear in classifications of

the principal statistics of each industry according to the legal form of the enterprise and the type of operations carried on, that is, differentiating multi-unit firms with central administrative offices, from single-unit firms with only one establishment.

17. As we have noted there is incorporated in the schedule a supplementary question on the location of the ultimate control of the establishment. The possession of such information, of course, makes possible the classification of the basic industrial statistics in terms of the wider "business unit" and so provides virtually indefinite scope for additional tabulations. Despite this possibility no such tabulations have been included in the actual Census reports.

18. Analyses founded on this unpublished census material have, however, appeared from time to time, particularly directed towards an examination of the concentration of control in United States industry. The most notable of such studies is perhaps to be found in a report of the Department of Commerce to the Temporary National Economic Committee based on material from the 1937 Census of Manufactures.<sup>2/</sup>

19. In addition to an investigation of the extent of concentration, this study contains a broad analysis of the structure of industry in terms of the nature of the enterprise unit.

#### United Kingdom

20. Up to the year 1935, primarily it would seem as a consequence of the provisions of the 1906 Census of Production Act no information was gathered at the time of the quinquennial industrial censuses specifically on the enterprise. For that year, however, on the recommendation of the Census of Production Advisory Committee a voluntary inquiry was made into the interrelations between firms and establishments, principally in order to study the concentration of control in specific industries. The results of this inquiry were made public in a paper read to the Royal Statistical Society in 1945, broadly similar in form and content to the American study mentioned above.<sup>3/</sup>

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<sup>2/</sup> Temporary National Economic Committee Monograph No. 27: "The Structure of Industry". 1941.

<sup>3/</sup> H. Leah and A. Maizels: "The Structure of British Industry". Journal of the Royal Statistical Society. Volume CVIII. 1945.



21. The scope of post-war industrial censuses in the United Kingdom on the other hand is determined to a large extent by the 1947 Statistics of Trade Act, which incorporates a number of amendments to the previous legislation on this subject proposed by an independent committee of inquiry. For the present study, it is sufficient to note that the Board of Trade is now authorized by this Act to request information on "the nature of the undertaking, including its association with other undertakings". Despite this provision the first complete post-war census taken in 1948 and the subsequent annual censuses of 1949 and 1950 did not include questions on this subject from their schedules.

#### Brazil

22. As a consequence primarily of its inclusive scope the organization of the Brazilian General Census differs fundamentally from the industrial censuses of the United States and the United Kingdom. In this case the schedule is divided into two parts relating respectively to the "enterprise" and the "establishment", the former being defined as that part of the organization which represents and directs it and is responsible for all the capital employed.

23. From the point of view of the resultant tabulations the section of the schedule dealing with the characteristics of the enterprise as the legal unit is, however, the more important. While, for example, the basic analyses of industrial activity are carried through on an establishment and not an enterprise basis, the data are generally classified in part according to specific characteristics of the enterprise. In addition there are quite extensive industrial and geographical distributions of specifically enterprise data particularly on the ownership of subscribed capital.

24. It follows from the comprehensive nature of the Brazilian Census that a complete statistical record of the enterprise and its activity can be constructed. It is therefore perhaps noteworthy that tabulations on an enterprise basis are comparatively limited in scope. In contrast to the position in the United States and the United Kingdom no particular attention is concentrated on the interrelations of ownership and control between firms.

### III. The Significance of Enterprise Statistics

25. Since the establishment is a constituent unit of the enterprise, statistics of establishments are, ipso facto, also statistics of enterprises. It would seem, therefore, appropriate to regard any material collected and presented on an establishment basis as within the legitimate scope of this study. On the other hand, the explicit intention has been to discriminate between such material and data which have specific reference to the enterprise. The differentiation cannot in fact be enforced in this way without inconsistency. The major distinction seems to be between (i) statistics of individual establishments, (ii) statistics of aggregates of establishments based on common ownership or control and (iii) statistics of enterprises as the legal units of ownership or control.

26. This division is clear from what has been said above. On the one hand, data which are obtained in the normal industrial census on an establishment basis can be aggregated, on the basis of the interrelations of control which exist, into data relating to more general aspects of the activities of the enterprise. On the other hand, there are financial data specific to the enterprise, primarily collected as a by-product of financial administration. While forming a homogenous field of analysis such data can be related only with difficulty to the material obtained on an establishment basis.

27. At least part of this hiatus can be bridged only by the general extension of the census investigation into the non-industrial sectors of the business economy. It is evident, however, that while a closer relation can be obtained between the financial statistics of the enterprise and the data collected on the basis of the constituent establishments precise correspondence will often be impossible to obtain. At the same time, however, the extent and significance of the discrepancy will be disclosed and the interpretation of the relevant industrial statistics subjected to proper qualification.

28. The basic dissatisfaction with the adequacy of contemporary industrial censuses therefore stems largely from the complexity of the institutional structure of industry. The significance of the present material, it may be said, rests largely on the extent to which this sector of the economy behaves as an aggregate of discrete establishments. Conclusions will, in general, therefore be subject to increasing qualification as the tendency towards the association - in whatever form - of such units increases, both within industry itself and with the non-industrial sectors of the economy.

29. The manner in which the institutional structure may influence the validity of conclusions drawn from an analysis of census material can be simply illustrated. In the case of a vertically integrated organization extending into the field of wholesale or retail trade, the pricing of the products at these stages of manufacture within the scope of the industrial census is to some extent arbitrary, and profits may be allowed to accumulate at the wholesale or retail selling stage. It follows that such statistics as those of "value added per person employed" will be unduly depressed in the corresponding industrial categories, thus invalidating or at least distorting many of the more important conclusions, such as these on comparative efficiency, based on the relative levels of these figures.

30. Knowledge of the particular institutional structure of business enterprise is of more direct importance to the extent that that structure influences the response of the economy to given stimuli applied, for example, through government policy measures. Conversely for the appraisal of public policy it is important to know not only the reactions of the institutional structure consequent on the imposition of new legislation but its direction of development within the existing legal framework. These are, of course, wide generalizations, but concrete examples of some significance will readily come to mind. There is, for instance, the question of business policy in prosperity and depression and the reciprocal influence of such policy on the behaviour of the economy as a whole, as it is related to the nature of the institutional and organizational structure. Or again there are the important effects on the enterprise-structure, and their consequences to the economy, initiated by the form and scope of fiscal legislation. The prerequisite of any effective analysis of the immediate response to, and the ultimate influence of, such measures is obviously an adequate knowledge of the structure of the enterprises on which they directly impinge.

31. In contemporary economic policy in countries with a relatively important private sector, financial statistics on enterprise activity have come to play a particularly important role. This originates primarily in the currently accepted theory of cyclical business fluctuations which stresses the variability of business expenditures on capital formation as the key factor in economic instability. For the purposes of public policy there is therefore a strong incentive both to obtain direct information from individual enterprises - as the

decision-taking units in this matter - on their investment plans, and to maintain constantly under statistical observation the health of the financial position on the basis of which such plans are formulated. In this way the accuracy and facility of diagnosis as well as the effectiveness of remedial action can be greatly increased should any undesirable situation develop.

32. More generally the importance of the enterprise as such is recognized in the contemporary development of national economic accounting. The economy for this purpose is normally divided into four broad sectors, viz., enterprises, households, government and the rest of the world, and attention is concentrated on the relative and absolute magnitude of inter-sector financial flows. Apart from the industrial and geographical analyses of the flows in the enterprise sector, where an establishment basis is generally preferred, the primary constituent unit in terms of which the flows are recorded is the enterprise. This fundamental statistical framework, whose importance requires no elaboration here, has been widely accepted as one of the most useful and concise ways of describing the economic process, particularly for the purposes of overall analysis of economic conditions and development.

33. Possibly the most significant deficiencies in our present statistical knowledge of economic development concern the growth of the enterprise population. There is first of all the question of the formation of new enterprises, their origin, sources of finance and the nature of the initial capital investment. Subsequently there is the form and direction of expansion, by internal development or by the acquisition of other enterprises or their assets; in either case there is, of course, the question of the sources of the funds employed. Finally there is the ultimate fate of the enterprise, by merger, acquisition or liquidation.

34. To sum up, then, it may be said that the significance of enterprise statistics is derived directly from three current objectives of economic policy, namely, the efficiency, the short-period stability and the long-period growth of the economy. Ultimately the problem is to establish as a guide to policy the relationships which hold between the enterprise-structure and these factors. To this end the construction of an adequate statistical framework appears as the prerequisite of effective inquiry.

IV. Basic Concepts and Data

35. The area of agreement as to the precise scope of the enterprise sector of an economy is sufficiently wide to reduce the problem of definition to minor proportions. The position is, however, otherwise when we consider the nature of the constituent entity which can be most usefully employed in economic analysis. For most purposes indeed the establishment has been chosen, although this is perhaps attributable as much to the direction in which the analysis has been pursued and to practical convenience as to its particular intrinsic merits as the appropriate economic unit.

36. In basic industrial inquiries, for example, the establishment is normally the statistical reporting unit and this practice has been generally recommended by the Commission in other parts of its work.<sup>4/</sup> Similarly in national economic accounting industrial and geographical analyses of the origin of the gross domestic product are normally carried out on an establishment basis. The position in this case is, however, complicated by the difficulty of allocating certain components of the product, particularly corporate profits, among the individual establishments classified to a given industry or to a given area.

37. While historically the frequent identity of activity between the individual establishment and the enterprise would undoubtedly reinforce the argument for accepting the former as the statistical reporting unit, the contemporary differentiation might perhaps seem to indicate a case for at least a parallel inquiry. The evident lack of progress in this matter certainly does not reflect a widespread conviction of the unimportance of the subject so much as the increasing indeterminateness in practice of the bounds of the enterprise.

38. The conventional conception of the enterprise is primarily of the legal entity which owns and controls the activity of one or more establishments engaged in the production of goods or services. In most cases, applied to any given establishment, this provides us with an unambiguous criterion of the enterprise to which it belongs, and accordingly the enterprise sector as a whole can be unambiguously defined either in terms of individual establishments or individual enterprises.

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<sup>4/</sup> It should be mentioned that in specific industries where the concept of the establishment is inappropriate or unsatisfactory in practice, the enterprise is frequently considered as the basic unit of enquiry. This is particularly true of mining and construction activity.

39. It also follows that specific items of data relating to individual establishments can be aggregated on the above basis into the corresponding items of data relating to the enterprise as the co-ordinating unit. In addition there are data of a second type relating to the structure and activities of the enterprise as the unit of ownership. By its nature such material is, of course, virtually excluded from consideration in the conventional establishment-based census.

40. The question then remains of the significance of the data obtained in this way, that is, in effect, the question of whether the legal entity has any independent economic significance. The answer, it is evident, varies from case to case; in particular it depends on the nature and extent of the control exercised by other enterprises. For example, where there is ownership by another enterprise of more than 50 per cent of the voting stock, it is probable that the enterprise has little effective significance as an independent, decision-taking economic unit.

41. To meet this situation we can perhaps define the enterprise more appropriately to take account of the interrelations of control which exist between "enterprises" of the first kind. The most practical and useful way to do this would appear to be to consider the controlling company and its subsidiaries, defining control in terms of the power to appoint or remove a majority of directors through the beneficial ownership of the whole or any part of the share capital. Alternatively the narrower criterion of ownership of more than 50 per cent of the voting stock could be employed.

42. The difficulty with such inflexible criteria is that an analysis of the enterprise sector into units defined in this way does not necessarily reflect the realities of the position. It might be agreed that such a division is superior in most respects to one based on the primary unit of organization but it could well be maintained that the situation is still not satisfactory. Control exercised through interlocking directorates, informal agreements and trade associations, is on this basis entirely excluded, and of course such forms of control, while less amenable to statistical treatment, are not necessarily less effective.

43. The independent reality and significance of the units defined in the above terms can also be examined from the other side. Ultimately it reduces to the following question: What precisely are we postulating about the establishments belonging to such a unit as opposed to similar establishments either independent or belonging to some other unit? More concretely it may be asked to what extent a unified policy extends throughout the unit, or, alternatively, which decisions are centralized and which taken on a narrower basis.

44. These criticisms, whose force depends primarily on the direction of the resultant analysis, can be only partly answered. They appear, indeed, as essential qualifications to any analysis based on the criteria suggested above. Empirical experience would, however, suggest that the initial division of the enterprise sector into such units reflects an interpretation of the concept of enterprise which is both useful and adequate for many purposes.

45. We can now turn to consider the basic data which might appropriately be collected on the structure and activity of such enterprises. For the purpose of description the relevant material may be classified into three primary categories: (i) structural data, (ii) activity data and (iii) data on structural change.

(i) Structural Data

This category would include in the first place material on the formation, origin, objects and legal form of the enterprise. Secondly it would include an analysis of the balance-sheet of the enterprise. Thirdly it would include data on the structural organization of the productive activities of the enterprise.

(ii) Activity Data

This category would cover the current operations of the enterprise and so would appear primarily in the form of financial accounts. First there would be an analysis of the production account and secondly of the income appropriation account. At the establishment level the scope of the material might be similar to that included in the normal census.

(iii) Data on Structural Change

This category would be concerned equally with changes in the organization of the enterprise, with the internal growth of the

constituent parts, and with the growth of the enterprise as a whole. The main reflection of this activity would be in the capital account. Supplementary data might be included on the growth and development of the enterprise population.

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STATISTICS OF ENTERPRISES

The following paragraph should be added to the end of page 16 of the English text of document E/CN.3/169:

V. Future Work

46. From what has been said above, it is clear that statistics of enterprises are of considerable economic significance but that little attention has so far been given to systematized presentations of data of this kind. The Commission may wish to indicate the direction of future work in this field. The basic problems requiring study may be summarized as follows:

- (a) Basic concepts.
- (b) Classification of enterprises by kind, size, etc.
- (c) Items of data required for analysis of:
  - (1) Structure of enterprises
  - (2) Activities of enterprises
  - (3) Changes in the structure of the enterprise sector
- (d) Tabulation of data according to enterprises.

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STATISTICS OF ENTERPRISES  
(Memorandum prepared by the Secretary-General)

1. The brief survey of the status of the enterprise in contemporary industrial censuses which has been made in paragraphs 7-24 above may be supplemented by reference to recent developments in this field in Italy and Sweden, respectively.
2. In the third general industrial and commercial census of Italy carried out in 1951 by the Central Institute of Statistics, a clear differentiation is made by means of separate schedules between data relating to the enterprises and data relating to the establishment. For the purposes of the census the enterprise is defined simply as the primary legal unit of organization, no attempt being made to determine the interrelations of ownership and control which might exist between such units. The establishment or "local unit" is, on the other hand, defined to include administrative units such as the central office, as well as the operating units of the enterprise.
3. There is, in effect, a general census of enterprises in industry and trade co-ordinated with a census of related establishments, thus making possible a systematic and comprehensive survey of the whole complex of enterprise activity including, it may be noted, the scope of transactions within each enterprise. A general schedule addressed to both the enterprise and the establishment determines for the former the nature and location of dependent establishments and for the latter, in addition to extensive data on personnel and capital equipment, the relationship with the parent enterprise. Questions are also included in the schedule addressed to the enterprise which will permit the differentiation, in an objective and uniform manner, of enterprises of an industrial nature from

those primarily of an artisan character. The general questionnaire is supplemented in both cases by formally similar schedules devoted to the statement of gross income, expenditures on current and capital account, and changes in the level of stocks.

4. In 1950 Sweden commenced the annual collection on an independent basis of statistics of the income, expenditure and profits of business enterprises. The primary purpose of this enquiry is the estimation with greater accuracy and speed of the current magnitude and distribution of that part of the national income originating in the business enterprise sector. Information is required both on the value of production and on the corresponding income of the sector - wages and salaries, interest, dividends, earnings of unincorporated enterprises and "gross saving" of corporations. Up to the present time only manufacturing and commercial enterprises have been investigated but ultimately these statistics will cover the whole of the business enterprise sector except agriculture, banking and insurance.

5. As in the case of Italy the enterprise concept employed is of a formal or legal nature, that is, corresponding to the "firm". The choice of this unit, it is stated, has been dictated by practical considerations, particularly the fact that the firm is normally the accounting unit. While a unit defined in terms of common control would appear to be most appropriate for the objectives in question, the existence of internal transactions, it is considered, would complicate the construction of a unified statement. On the other hand, the choice of the establishment as the unit would involve similar difficulties, especially in the allocation of joint costs.

6. While this enquiry is essentially intended to survey the current pattern of activity in the enterprise sector it is clear from the wide scope of the information obtained that it affords ample material for a more general structural analysis of the sector. The importance attached to such an analysis is indeed evident from the preliminary tabulations of the data which have been published.