development. This particular finding suggests that "services are closely interlinked with the rest of the economy and that they play an active role in the production of goods."[35]

Bhagwati (1984) made a substantial contribution to the discussion about changes affecting the service output by introducing the concepts of "disembodiment effect" and "splintering process". His idea was to explore the structure and technical changes that may result in services "splintering off" from goods and goods "splintering off" from services.[36] The process involving the latter is associated with a "disembodiment effect" where services that were initially embodied in a person or in a product can be disembodied from the service into a good. Due to technical progress, services will be more and more disembodied through an exchange that will not require a physical presence by the provider. It is the splintering of services from goods, not the opposite, which yields capital-intensive and progressive activities.[37]

-Impact of the growth of services

There has also been a lot of attention devoted to the impact of the growth in services. Growth in the service market has been seen both in large and in small firms. The former usually takes advantage of economies of scale. In both cases, a higher degree of specialization will be enhanced by continuing cost reductions in transportation and communication.

In order to determine what factor could explain the above average GDP growth in some services sectors, Kutscher (1988) calculated for the US which of the following two changes, composition of final demand [38]or business practices (changes in inputs to produce outputs), had the greater impact on the growth of output in services industries. He found that the changing composition of final demand was responsible for only 0.1 % of GDP per year for the 1972-1985 period whereas changes in business practices accounted for 3.3% per year. "Changes in business practices, mainly influenced by technological changes, have been driven mainly by increased contracting out of additional and new services rather than a shift in labour".[39]

-Contracting-out

McKenzie (1987) suggested that "reductions in the cost of communication could be expected to lead to an increased reliance on outsourcing of intermediates production, including services. The reduced transaction costs implied by the lower cost and improved

[35]Rada, J.F. in Giarini, p. 129
[36] For example, a service like a singer's performance can be recorded and transformed into a good (compact discs).
[37] Bhagwati (1984)
[38] Changes in the composition of final demand refers to a situation where consumers would buy more services than goods during a certain period of time.
[39] Kutscher in Guile (1988), p.59-68