

B. THE SERVICES ECONOMY

A persistent current in economic thought for many years has distinguished between goods and services on the basis that activities resulting in the first are "productive" whereas the latter are "unproductive" - and inferior. Adam Smith wrote:

"The labour of a menial servant... adds to the value of nothing... The labour of some of the most respectable orders in society is like that of menial servants, unproductive of any value, and does not fix or realise itself in any permanent subject or vendible commodity which endures after that labour is past... In the same class must be ranked... churchmen, lawyers, players, buffoons, musicians, opera singers, etc."

As a general proposition, the Task Force does not subscribe to this view.

1. Some Characteristics of Services

Services are difficult to define. A little simplistically, they can be described as intangible economic commodities produced for sale or distribution through the market mechanism or through established programmes or institutions. In most cases tangible goods can be distinguished from intangible services without difficulty but borderline cases and transactions involving a mix of services and goods are by no means uncommon.

Goods are transferable, whereas only when a service is embodied in a good can its ownership be exchanged. Services, being intangible, cannot be transported or stored as such, but must be provided to the user as they are being produced, (e.g. as a theatrical performance, rental service, surgical operation, or equipment repair) or provided over a period, (e.g. storage service, education, consulting service). Thus, services are end products or the products of intermediaries and the sector presents a disparate array of service industries each of which has its own type of measurement unit -students educated, goods sold, tonnage moved, visitors accommodated, advice given, conversations transmitted, etc. These ultimately get translated into values, and general ideas about the service sector can be obtained. While the costs of providing the service are usually definable, and collectable as statistics, the benefits are often indefinable in monetary terms and are only partly collectable, and collected, statistically.

2. Services Trade and Establishment

Given the nature of services, the question arises of how they can be traded across borders - the subject of this study. Transfer of a service relies heavily upon direct contact between producer and "consumer"; in many cases one or the other must travel (e.g. producer/-consultant, consumer/tourist). In other cases services can be embodied